



Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2019

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No 117 of 1998). Municipal demarcation code NC076
Nature of business and principal activities	Provision of Municipal services in terms of the Municipal Finance Management Act No.56 Of 2003 and Municipal Systems Act No.32 of 2000.
Mayoral committee Executive Mayor Councillors	Mpamba, B Swartling, S Tshangela, B Tallies, J Ngxabazi, R Brits, HL Naude, PM
Grading of local authority	The Thembelihle Municipality is a grade 2 Local Authority in terms of items IV of Government Notice R999 of 2 October 2001, Published in terms of the Remuneration of public Office Bearers Act, 1998.
Accounting Officer	Jack, MR
Chief Finance Officer (CFO)	Acting CFO - Jaxa, N (Appointed 1 July 2018 - 30 November 2018) Appointed CFO - Shuping, R (Appointed 03 December 2018)
Registered office	Municipal Offices Church street Hopetown 8750
Business address	Municipal Offices Church street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank Limited (Primary)
Attorneys	Herman van Heerden Inc

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COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Thembelihle Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Mr. MR Jack
Accounting Officer

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no.56 of 2003 and municipal systems act no.32 of 2000 and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 6 649 723 (2018: deficit R 2 520 628).

Proportion of income and loss attributable to various classes of business:

2019

Classes of business	Proportion of contribution to income before tax	Other informative information
Property rates	4 %	4 035 707
Services Chargers	25 %	21 701 936
Grants and Subsidies	67 %	60 897 668
Other	4 %	3 937 124

2018

Classes of business	Proportion of contribution to income before tax	Other informative information
Property rates	5 %	4 068 356
Services Chargers	22 %	19 903 524
Grants and Subsidies	67 %	58 710 169
Other	6 %	4 845 693

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2019.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

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Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Appointed
Mr. MR Jack	South African	Appointed Thursday, 02 November 2017

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by him by the Remunerations of Public Office Bearers Act No.20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's primary banker is Standard Bank Limited

9. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

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Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	3	41 906	22 943
Receivables from exchange transactions	4&7	3 472 560	2 380 976
Receivables from non-exchange transactions	5&7	2 041 559	2 200 068
VAT receivable	17	9 438 420	7 002 454
Prepayments		17 460	17 460
Other receivables	8	595 416	595 416
Cash and cash equivalents	9	4 352 317	976 470
		19 959 638	13 195 787
Non-Current Assets			
Investment property	10	21 279 048	21 068 365
Property, plant and equipment	11	241 804 468	235 076 044
Intangible assets	12	53 952	115 513
Non current receivables from exchange transactions	13	420 003	437 322
		263 557 471	256 697 244
Total Assets		283 517 109	269 893 031
Liabilities			
Current Liabilities			
Loans Payable	14	559 312	534 614
Finance lease obligation	15	744 200	488 073
Payables from exchange transactions	16	91 673 243	77 181 445
Consumer deposits	18	624 460	590 054
Employee benefit obligation	19	236 344	234 840
Unspent conditional grants and receipts	20	5 010 415	1 272 767
Provisions	21	8 797 416	8 272 431
Third Party Collections	22	130 643	130 643
Long service awards	23	262 296	48 572
Bank overdraft	9	1 761 688	-
		109 800 017	88 753 439
Non-Current Liabilities			
Loans Payable	14	2 904 618	3 283 837
Finance lease obligation	15	2 503 196	2 929 919
Employee benefit obligation	19	4 729 246	4 742 456
Long service awards	23	1 273 869	1 227 494
		11 410 929	12 183 706
Total Liabilities		121 210 946	100 937 145
Net Assets		162 306 163	168 955 886
Accumulated surplus		162 306 163	168 955 886

* See Note 51

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	25	21 701 936	19 903 524
Rental of facilities and equipment	26	332 182	768 333
Interest received - consumers	27	1 164 520	984 761
Licences and permits	28	160 584	219 555
Commissions received	29	110 061	508 225
Other income	30	768 459	540 031
Connection fees	31	46 994	62 109
Interest received - investments	27	499 778	594 753
Total revenue from exchange transactions		24 784 514	23 581 291
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	4 035 707	4 068 356
Licences or Permits (Non-exchange)	28	638 674	63 209
Informal Settlement rates		4 522	3 917
Transfer revenue			
Government grants & subsidies	33	60 897 668	58 710 169
Fines, Penalties and Forfeits	34	211 350	1 100 800
Total revenue from non-exchange transactions		65 787 921	63 946 451
Total revenue	24	90 572 435	87 527 742
Expenditure			
Employee related costs	35	(29 077 263)	(26 784 243)
Remuneration of councillors	36	(2 448 635)	(2 557 024)
Administration	37	(79 249)	(60 591)
Depreciation and amortisation	38	(17 029 270)	(9 068 746)
Finance costs	39	(8 655 200)	(8 304 218)
Lease rentals on operating lease		(277 415)	(699 687)
Bad Debt impairment movement	6	(8 824 367)	(7 615 150)
Bulk purchases	41	(12 561 894)	(12 507 720)
General Expenses	42	(18 944 949)	(23 382 353)
Total expenditure		(97 898 242)	(90 979 732)
Operating deficit		(7 325 807)	(3 451 990)
Gain/ (loss) on disposal of assets and liabilities		(142 557)	(269 173)
Fair value adjustments	10&43	210 684	227 094
Actuarial gains/losses	19	607 957	973 441
		676 084	931 362
Deficit for the year		(6 649 723)	(2 520 628)

* See Note 51

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Adjustments		
Prior year adjustments	15 604 463	15 604 463
Balance at 01 July 2017	171 476 514	171 476 514
Changes in net assets		
Surplus for the year	(2 520 628)	(2 520 628)
Total changes	(2 520 628)	(2 520 628)
Restated* Balance at 01 July 2018	168 955 886	168 955 886
Changes in net assets		
Surplus for the year	(6 649 723)	(6 649 723)
Total changes	(6 649 723)	(6 649 723)
Balance at 30 June 2019	162 306 163	162 306 163

* See Note 51

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		18 270 346	18 688 614
Grants		64 635 316	58 213 904
Interest income		1 664 298	1 579 514
		<u>84 569 960</u>	<u>78 482 032</u>
Payments			
Employee costs		(29 827 133)	(29 031 867)
Suppliers		(20 109 661)	(27 345 126)
Finance costs		(8 655 206)	(8 304 218)
		<u>(58 592 000)</u>	<u>(64 681 211)</u>
Net cash flows from operating activities	44	<u>25 977 960</u>	<u>13 800 821</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(23 462 457)	(9 711 809)
Proceeds from sale of property, plant and equipment	11	4 347	22 061
		<u>(23 458 110)</u>	<u>(9 689 748)</u>
Cash flows from financing activities			
Repayment of loans payable		(354 521)	(389 162)
Finance payments		(551 169)	(688 365)
		<u>(905 690)</u>	<u>(1 077 527)</u>
Cash and cash equivalents at the beginning of the year		976 470	600 563
Cash and cash equivalents at the end of the year	9	<u>2 590 630</u>	<u>976 470</u>

* See Note 51

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	8 406 304	(3 001 861)	5 404 443	4 035 707	(1 368 736)	Municipality expected to dispose of land which would have increased the collection of Property Rates. However, the disposal was not implemented but it is expected to take place in 2019/20.
Service charges	25 230 867	(2 646 511)	22 584 356	21 701 936	(882 420)	This is due to the current implementation of Prepaid electricity in Steynville as well as the implementation of the water metering projects. Completion is expected to be in 2019/20.
Investment revenue	641 633	-	641 633	1 996 480	1 354 847	The interest recieved on the short term investment was more than considered while budget was prepared.
Transfers recognised - operational	27 935 920	-	27 935 920	28 854 206	918 286	This was due to an additional amounts received on MIG and WSIG.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Other own revenue	6 392 665	1 467 429	7 860 094	1 940 644	(5 919 450)	The difficult economic times experienced in the 2018/19 financial year had a negative effect on the other revenue generated due to spending of consumers decreasing.
Total Revenue (excluding capital transfers and contributions)	68 607 389	(4 180 943)	64 426 446	58 528 973	(5 897 473)	
Expenditure by type						
Employee costs	(27 896 602)	2 440 615	(25 455 987)	(29 077 263)	(3 621 276)	Senior managers appointed in vacant posts
Remuneration of councillors	(2 778 600)	(54 910)	(2 833 510)	(2 448 635)	384 875	This is due to stricter control on traveling
Debt impairment	(819 043)	-	(819 043)	(8 824 367)	(8 005 324)	This is due to the current implementation of Prepaid electricity in Steynville as well as the implementation of the water metering projects. Completion is expected to be in 2019/20,
Depreciation & asset impairment	(8 232 600)	-	(8 232 600)	(17 029 270)	(8 796 670)	This is due to omissions that is included in the current financial year.

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Finance charges	(384 240)	-	(384 240)	(8 655 200)	(8 270 960)	When Municipality signed the agreement with Eskom, the interest was suspended. Due to cashflow constrains, the Municipality could not held its end of the agreement and therefore the interest was reversed.
Materials and bulk purchases	(7 084 984)	(1 980 000)	(9 064 984)	(12 561 894)	(3 496 910)	This is due to agreement made with Eskom, therefore payments has been made on a more regular basis.
Transfers and grants	(7 556 908)	3 000 000	(4 556 908)	-	4 556 908	The budgeted amount was never used.
Other expenditure	(12 603 153)	404 422	(12 198 731)	(19 301 613)	(7 102 882)	
Total expenditure	(67 356 130)	3 810 127	(63 546 003)	(97 898 242)	(34 352 239)	
Surplus	1 251 259	(370 816)	880 443	(39 369 269)	(40 249 712)	
Transfers recognised - capital	33 209 400	2 967 600	36 177 000	32 043 462	(4 133 538)	This was due to an additional amounts received on MIG and WSIG.
Surplus after capital transfers & contributions	34 460 659	2 596 784	37 057 443	(7 325 807)	(44 383 250)	
Surplus for the year	34 460 659	2 596 784	37 057 443	(7 325 807)	(44 383 250)	

Statement of Financial Position

Assets

Current Assets

Cash	1 851 912	-	1 851 912	4 352 317	2 500 405	This was because of the unspent portions on the grants at year end
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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Consumer debtors	10 324 665	-	10 324 665	3 472 560	(6 852 105)	Debtors book is continuously increasing therefore payment levels is extremely low and outstanding debt is on the ri
Other debtors	3 391 713	-	3 391 713	12 092 855	8 701 142	VAT budgeted for as part of consumer debtors, but should form part of debtors.
Inventory	2 106	-	2 106	41 906	39 800	Unexpected repairs on infrastructure.
	15 570 396	-	15 570 396	19 959 638	4 389 242	
Non-Current Assets						
Investments	493 857	-	493 857	-	(493 857)	
Investment property	8 138 637	-	8 138 637	21 279 048	13 140 411	This due to FV adjustments made on IP as well as omissions included in the current FY
Property, plant and equipment	216 201 089	-	216 201 089	241 804 468	25 603 379	Variance is below 10%, therefore insignificant.
Intangible	210 600	-	210 600	53 952	(156 648)	
Other non-current assets	-	-	-	420 003	420 003	
	225 044 183	-	225 044 183	263 557 471	38 513 288	
Total Assets	240 614 579	-	240 614 579	283 517 109	42 902 530	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-	1 761 688	1 761 688	This is only the amount per the Cashbook which includes amounts not yet paid.
Borrowing	-	-	-	1 303 512	1 303 512	This liability was not budgeted for.
Consumer deposits	-	-	-	624 460	624 460	

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Trade and other payables	25 573 158	-	25 573 158	96 814 295	71 241 137	Due to cash flow and non-payment of Creditors
Provisions	8 507 187	-	8 507 187	9 296 056	788 869	An increase in debtors impairment.
	34 080 345	-	34 080 345	109 800 011	75 719 666	
Non-Current Liabilities						
Borrowing	4 990 167	-	4 990 167	5 407 814	417 647	
Provisions	8 152 326	-	8 152 326	6 003 115	(2 149 211)	An decrease in landfill sites provision was not expected when budget was compiled.
	13 142 493	-	13 142 493	11 410 929	(1 731 564)	
Total Liabilities	47 222 838	-	47 222 838	121 210 940	73 988 102	
Net Assets	193 391 741	-	193 391 741	162 306 169	(31 085 572)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	193 391 741	-	193 391 741	162 306 169	(31 085 572)	Affected by the prior period error on Assets
Total community wealth/equity	193 391 741	-	193 391 741	162 306 169	(31 085 572)	

The accounting policies on pages 18 to 37 and the notes on pages 37 to 75 form an integral part of the financial statements.

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	8 406 304	(3 001 861)	5 404 443	-		5 404 443	4 035 707		(1 368 736)	75 %	48 %
Service charges	25 230 867	(2 646 511)	22 584 356	-		22 584 356	21 701 936		(882 420)	96 %	86 %
Investment revenue	641 633	-	641 633	-		641 633	1 996 480		1 354 847	311 %	311 %
Transfers recognised - operational	27 935 920	-	27 935 920	-		27 935 920	28 854 206		918 286	103 %	103 %
Other own revenue	6 392 665	1 467 429	7 860 094	-		7 860 094	1 940 644		(5 919 450)	25 %	30 %
Total revenue (excluding capital transfers and contributions)	68 607 389	(4 180 943)	64 426 446	-		64 426 446	58 528 973		(5 897 473)	91 %	85 %
Employee costs	(27 896 602)	2 440 615	(25 455 987)	-	-	(25 455 987)	(29 077 263)	-	(3 621 276)	114 %	104 %
Remuneration of councillors	(2 778 600)	(54 910)	(2 833 510)	-	-	(2 833 510)	(2 448 635)	-	384 875	86 %	88 %
Debt impairment	(819 043)	-	(819 043)			(819 043)	(8 824 367)	-	(8 005 324)	1 077 %	1 077 %
Depreciation and asset impairment	(8 232 600)	-	(8 232 600)			(8 232 600)	(17 029 270)	-	(8 796 670)	207 %	207 %
Finance charges	(384 240)	-	(384 240)	-	-	(384 240)	(8 655 200)	-	(8 270 960)	2 253 %	2 253 %
Materials and bulk purchases	(7 084 984)	(1 980 000)	(9 064 984)	-	-	(9 064 984)	(12 561 894)	-	(3 496 910)	139 %	177 %
Transfers and grants	(7 556 908)	3 000 000	(4 556 908)	-	-	(4 556 908)	-	-	4 556 908	- %	- %
Other expenditure	(12 603 153)	404 422	(12 198 731)	-	-	(12 198 731)	(19 301 613)	-	(7 102 882)	158 %	153 %
Total expenditure	(67 356 130)	3 810 127	(63 546 003)	-	-	(63 546 003)	(97 898 242)	-	(34 352 239)	154 %	145 %
Surplus/(Deficit)	1 251 259	(370 816)	880 443	-		880 443	(39 369 269)		(40 249 712)	(4 472)%	(3 146)%

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	33 209 400	-	33 209 400	-		33 209 400	32 043 462		(1 165 938)	96 %	96 %
Surplus (Deficit) after capital transfers and contributions	34 460 659	(370 816)	34 089 843	-		34 089 843	(7 325 807)		(41 415 650)	(21)%	(21)%
Surplus/(Deficit) for the year	34 460 659	(370 816)	34 089 843	-		34 089 843	(7 325 807)		(41 415 650)	(21)%	(21)%

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1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 49 Changes in accounting policy.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Cash & Cash Equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

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Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and if
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30
Infrastructure	Straight line	
• Roads & Paving		5 - 80
• Electricity		5 - 50
• Water and sanitation		10 - 100
• Sewerage/ Solid waste		10 - 60
• y		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		5 - 10
• Emergency Equipment		10
• Furniture & Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant and Equipment		5 - 15

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Site restoration and dismantling cost (Landfill sites)

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

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Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

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Accounting Policies

1.7 Intangible assets (continued)

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

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Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Unspent conditional grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

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Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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Accounting Policies

1.12 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

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Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 49.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.18 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

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Accounting Policies

1.18 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or operational commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

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Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imburement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

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Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Accounting Policies

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.28 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

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1.29 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Notes to the Financial Statements

Figures in Rand	2019	2018
2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:		
• GRAP 104: Financial Instruments	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
3. Inventories		
Consumable stores	40 406	22 070
Water	1 500	873
	41 906	22 943
Carrying value of inventories carried at fair value less costs to sell	41 906	22 943
Inventories recognised as an expense during the year	446 331	990 621
Inventory pledged as security		
No inventory was pledged as security during the current financial period.		
4. Receivables from exchange transactions		
Deposits	106 780	106 780
Consumer debtors - Electricity	2 282 375	1 525 709
Consumer debtors - Water	327 759	257 160
Consumer debtors - Sewerage	340 646	240 056
Consumer debtors - Refuse	173 063	115 435
Consumer debtors - Arrears	82 432	135 365
Consumer debtors - Rentals	37 096	20 381
Consumer debtors - Other	122 409	(19 910)
	3 472 560	2 380 976
5. Receivables from non-exchange transactions		
Fines	1 665 659	1 704 627
Consumer debtors - Rates	375 900	495 441
	2 041 559	2 200 068

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Figures in Rand 2019 2018

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2019, Traffic fine receivables from non-exchange transactions, the impairment raised in the current year is R2 881 962.00.

The amount of the traffic fines and provision recognised was as follows.

Traffic fine	4 547 621	4 626 556
Provision for traffic fine	(2 881 962)	(2 921 929)
	1 665 659	1 704 627

6. Debt impairment

Contributions to debt impairment provision	8 824 367	7 615 150
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The debt impairment indicated above includes both the impairments on Current and Non-Current Debtors.

The Impairment movement is made up as follow:

Opening balance (Current and Non-Current)	(42 637 431)	(35 691 078)
Provision on Current Debtors	(8 413 615)	(6 946 353)
	(51 051 046)	(42 637 431)

7. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	6 751 596	5 991 061
Consumer debtors - Electricity	7 205 129	5 389 957
Consumer debtors - Water	17 474 837	14 066 579
Consumer debtors - Sewerage	12 673 699	10 663 330
Consumer debtors - Refuse	7 243 152	6 084 600
Consumer debtors - Arrears	1 635 014	1 635 684
Consumer debtors - Rentals	1 685 867	1 585 493
Consumer debtors - Other	124 723	(9 635)
	54 794 017	45 407 069

Less: Allowance for impairment

Consumer debtors - Rates	(6 375 696)	(5 495 620)
Consumer debtors - Electricity	(4 922 754)	(3 864 248)
Consumer debtors - Water	(17 147 078)	(13 809 419)
Consumer debtors - Sewerage	(12 333 053)	(10 423 274)
Consumer debtors - Refuse	(7 070 089)	(5 969 165)
Consumer debtors - Arrears	(1 552 582)	(1 500 319)
Consumer debtors - Rentals	(1 648 771)	(1 565 112)
Consumer debtors - Other	(2 314)	(10 275)
	(51 052 337)	(42 637 432)

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Notes to the Financial Statements

Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Net balance		
Consumer debtors - Rates	375 900	495 441
Consumer debtors - Electricity	2 282 375	1 525 709
Consumer debtors - Water	327 759	257 160
Consumer debtors - Sewerage	340 646	240 056
Consumer debtors - Refuse	173 063	115 435
Consumer debtors - Arrears	82 432	135 365
Consumer debtors - Rentals	37 096	20 381
Consumer debtors - Other	122 409	(19 910)
	3 741 680	2 769 637
Included in above is receivables from exchange transactions		
Electricity	2 282 375	1 525 709
Water	327 759	257 160
Sewerage	340 646	240 056
Refuse	173 063	115 434
Arrears	82 432	69 247
Rentals	37 096	17 130
Other	122 409	2 677
	3 365 780	2 227 413
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	375 900	409 875
Net balance	3 741 680	2 637 288
Rates		
Current (0 -30 days)	108 654	101 812
31 - 60 days	38 803	23 592
61 - 90 days	23 245	19 421
91 - 120 days	20 402	16 235
121 - 365 days	184 796	334 381
	375 900	495 441
Electricity		
Current (0 -30 days)	880 610	924 861
31 - 60 days	349 989	352 832
61 - 90 days	288 531	53 329
91 - 120 days	267 319	19 576
121 - 365 days	495 926	175 111
	2 282 375	1 525 709
Water		
Current (0 -30 days)	94 156	100 278
31 - 60 days	19 024	16 756
61 - 90 days	14 455	8 115
91 - 120 days	14 098	6 818
121 - 365 days	186 026	125 193
	327 759	257 160

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Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Sewerage		
Current (0 -30 days)	75 437	66 034
31 - 60 days	25 919	16 320
61 - 90 days	18 304	12 715
91 - 120 days	12 984	8 281
121 - 365 days	208 002	136 706
	340 646	240 056
Refuse		
Current (0 -30 days)	35 153	29 329
31 - 60 days	12 598	7 356
61 - 90 days	9 148	5 295
91 - 120 days	7 154	4 178
121 - 365 days	109 010	69 277
	173 063	115 435
Business service levies		
Current (0 -30 days)	6 942	6 867
31 - 60 days	5 856	5 335
61 - 90 days	4 539	5 418
91 - 120 days	2 600	3 126
121 - 365 days	62 495	114 619
	82 432	135 365
Regional services levies		
Current (0 -30 days)	5 914	13 755
31 - 60 days	4 760	1 599
61 - 90 days	4 199	1 599
91 - 120 days	4 199	178
121 - 365 days	18 024	3 250
	37 096	20 381
Housing rental		
Current (0 -30 days)	3 948	1 456
31 - 60 days	137	137
61 - 90 days	137	137
91 - 120 days	137	135
121 - 365 days	118 050	(21 775)
	122 409	(19 910)

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2019

2018

7. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers

Current (0 -30 days)	2 189 835	1 516 036
31 - 60 days	960 566	924 777
61 - 90 days	944 569	645 847
91 - 120 days	977 593	567 146
121 - 365 days	42 343 097	35 665 254
	<hr/>	<hr/>
	47 415 660	39 319 060
Less: Allowance for impairment	(44 886 096)	(37 591 130)
	<hr/>	<hr/>
	2 529 564	1 727 930

Industrial/ commercial

Current (0 -30 days)	206 592	205 707
31 - 60 days	145 455	86 452
61 - 90 days	40 692	33 468
91 - 120 days	19 435	39 649
121 - 365 days	464 482	250 953
	<hr/>	<hr/>
	876 656	616 229
Less: Allowance for impairment	(242 169)	(232 101)
	<hr/>	<hr/>
	634 487	384 128

National and provincial government

Current (0 -30 days)	561 248	471 242
31 - 60 days	281 986	146 817
61 - 90 days	204 871	112 101
91 - 120 days	176 633	83 045
121 - 365 days	5 278 860	4 648 008
	<hr/>	<hr/>
	6 503 598	5 461 213
Less: Allowance for impairment	(5 767 931)	(4 935 982)
	<hr/>	<hr/>
	735 667	525 231

Total debtor past due but not impaired

31 - 60 days	1 210 815	1 244 391
61 - 90 days	456 950	423 927
91 - 120 days	362 421	106 029
121 - 365 days	1 590 751	862 940
	<hr/>	<hr/>
	3 620 937	2 637 287

Reconciliation of allowance for impairment

Balance at beginning of the year	(42 637 432)	(35 691 078)
Contributions to allowance	(12 156 585)	(6 946 354)
	<hr/>	<hr/>
	(54 794 017)	(42 637 432)

8. Other Receivables

Other receivables consist out of:

Motor Registrations	411 416	411 416
Dispute	184 000	184 000
	<hr/>	<hr/>
	595 416	595 416

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 486	6 486
Bank balances	-	796 439
Short-term deposits	4 345 831	173 545
Bank overdraft	(1 761 688)	-
	2 590 629	976 470
Current assets	4 352 317	976 470
Current liabilities	(1 761 688)	-
	2 590 629	976 470

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
(Closed) ABSA Bank - Current Account - Account no. 47-037-030	-	117 052	263 702	-	132 751	13 102
(Closed) ABSA Bank - Current Account - Account no. 922-871-4535	-	-	1 371	-	-	-
STANDARD Bank - Account no. 048-873-772-001(WSIG)	2 336	173 545	13 783	4 345 831	173 545	13 783
STANDARD Bank - Account no. 048-873-772-002(WSIG)	-	-	-	-	-	-
STANDARD Bank - Account no. 041-879-171	(48 807)	559 798	570 723	(1 842 234)	593 126	567 192
Standard bank - Account no. 048-873-772-003 (WSIG)	-	-	-	-	-	-
Standard bank - Account no. 048-871-524-001 (WSIG)	1 765 058	-	-	-	-	-
TRAFFIC BANK Account no. 063-362-309	80 546	42 343	2 167	80 546	42 343	-
Petty cash and float	1 591	1 591	7 967	6 486	1 591	6 486
Standard bank - Account no. 048-871-672-001 (MIG)	2 465 708	-	-	-	-	-
Standard bank - Account no. 048-871-311-001 (INEP)	47 406	-	-	-	-	-
Standard bank - Account no. 048-871-362-001 (Operational grants)	41 167	-	-	-	-	-
Total	4 355 005	894 329	859 713	2 590 629	943 356	600 563

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10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	21 279 048	-	21 279 048	21 068 365	-	21 068 365

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	21 068 365	210 683	21 279 048

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	21 001 711	66 654	21 068 365

Details of property

Property 1

Land held for capital appreciation.

- Purchase price: 1 December 2008

3 450 658 3 450 658

Property 2

Land and Improvements held for capital appreciation.

- Purchase price: 1 December 2008

4 672 500 4 672 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2018. The method used by the valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current marked value from analysis of most recent property sales dating from 2009 to current.

The assumptions made were to use the marked related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of Investment Property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of Section 22 of (Act 47) of 2000 of the Property Valuers Profession Bill.

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11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 795 863	-	1 795 863	1 795 863	-	1 795 863
Buildings	40 179 733	(27 622 415)	12 557 318	40 179 733	(25 961 468)	14 218 265
Plant and machinery	1 265 242	(796 281)	468 961	1 242 804	(639 479)	603 325
Furniture and fixtures	1 161 505	(720 354)	441 151	1 172 145	(588 007)	584 138
Motor vehicles	1 084 561	(417 816)	666 745	1 248 061	(382 655)	865 406
Office equipment	1 421 650	(816 709)	604 941	1 467 986	(719 720)	748 266
Finance lease assets	4 651 190	(1 699 882)	2 951 308	4 270 609	(983 091)	3 287 518
Infrastructure	345 244 681	(123 010 740)	222 233 941	322 113 571	(109 255 287)	212 858 284
Emergency equipment	305 684	(221 444)	84 240	305 684	(190 705)	114 979
Total	397 110 109	(155 305 641)	241 804 468	373 796 456	(138 720 412)	235 076 044

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	WIP Under construction	Disposals	WIP Completed Assets	Transfers	WIP Additions	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 795 863	-	-	-	-	-	-	-	-	-	1 795 863
Buildings	14 218 265	-	-	-	-	-	-	(1 412 642)	(248 305)	-	12 557 923
Plant and machinery	603 325	30 438	-	(400)	-	-	-	(164 402)	-	-	468 961
Furniture and fixtures	584 138	2 900	-	(677)	-	-	-	(139 938)	(5 361)	89	441 151
Motor vehicles	865 406	-	-	(65 399)	-	-	-	(133 262)	-	-	666 745
Office equipment	748 266	83 261	-	(6 479)	-	-	-	(220 841)	-	734	604 941
Finance lease assets	3 287 518	380 580	-	-	-	-	-	(716 790)	-	-	2 951 308
Infrastructure	199 050 905	-	13 807 378	(73 948)	(10 657 789)	10 657 789	23 345 858	(12 799 665)	(1 096 587)	-	222 233 928
Emergency equipment	114 979	-	-	-	-	-	-	(30 739)	-	-	84 240
	221 268 665	497 179	13 807 378	(146 903)	(10 657 789)	10 657 789	23 345 858	(15 618 279)	(1 350 253)	823	241 804 412

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	WIP Under construction	Disposals	WIP Completed Assets	Transfers	WIP Additions	Depreciation	Impairment loss	Total
Land	1 795 863	-	-	-	-	-	-	-	-	1 795 863
Buildings	14 965 311	-	-	-	-	411 810	-	(1 158 856)	-	14 218 265
Plant and machinery	727 086	12 834	-	-	-	-	-	(133 104)	(3 491)	603 325
Furniture and fixtures	690 861	-	-	(5 304)	-	-	-	(99 962)	(1 457)	584 138
Motor vehicles	926 880	-	-	-	-	-	-	(61 474)	-	865 406
Office equipment	788 326	143 747	-	(21 389)	-	-	-	(154 481)	(7 937)	748 266
Finance Lease Assets	565 883	3 591 910	-	(264 541)	-	-	-	(605 734)	-	3 287 518
Infrastructure	206 628 850	111 125	11 035 350	-	(6 180 473)	-	8 952 501	(7 689 069)	-	212 858 284
Emergency Equipment	139 991	-	-	-	-	-	-	(25 012)	-	114 979
	227 229 051	3 859 616	11 035 350	(291 234)	(6 180 473)	411 810	8 952 501	(9 927 692)	(12 885)	235 076 044

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11. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and Paving	Straight line	5 - 80
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Emergency Equipment	Straight line	10
Plant & Equipment	Straight line	5 - 15
Community Facilities	Straight line	30
Recreational Facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Sewerage / Solid Waste	Straight line	10 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

Finance lease assets	2 951 308	3 287 518
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Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	13 807 378	13 807 378
Additions/capital expenditure	23 345 858	23 345 858
Transferred to completed items	(10 657 789)	(10 657 789)
	26 495 447	26 495 447

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	11 035 350	11 035 350
Additions/capital expenditure	8 952 501	8 952 501
Transferred to completed items	(6 180 473)	(6 180 473)
	13 807 378	13 807 378

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Consumables	374 865	320 018
Security (Guarding of municipal property)	-	9 965
Specialist Services	55 387	143 723
Subsistence and travelling	16 080	30 044
	446 332	503 750

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11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	582 817	(528 865)	53 952	582 817	(467 304)	115 513

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	115 513	(61 561)	53 952

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	178 312	(62 799)	115 513

13. Non current receivables from exchange transactions

Thembelihle Municipality provides two settlement options to Consumer debtors to settle their outstanding service accounts, **Option 1:** 25% of the outstanding balance is paid over 3 years. Once the 25% is settled the remaining 75% of the outstanding account are written off.

Option 2: 60% of the outstanding balance is paid once-off and the remaining 40% of the outstanding balance is written off.

The balance of R420 003.07 (2018: R437 322.00), after provision for impairments of R3 914 073.33 (2018: R3 865 064.00), reflect the Non-Current portion payable under Option1. The Amount written off under Option 1 and 2 totals R988 391.07 (2018: R320 769.00).

14. Loan payable

At amortised cost

DBSA Loans Non Current	2 904 618	3 283 837
DBSA Loans Current	559 312	534 614
	3 463 930	3 818 451
Total other financial liabilities	3 463 930	3 818 451

DBSA Loans are repayable on a quarterly basis at R178 663 with an interest charge of 5% per year. The loan will be fully repaid in September 2024.

Defaults and Breaches

Included in the R3 463 930 loans payable at year end is the default installment of R178 663 and R1 075 interest.

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Notes to the Financial Statements

Figures in Rand	2019	2018
14. Loan payable (continued)		
Non-current liabilities		
At amortised cost	2 904 618	3 283 837
Current liabilities		
At amortised cost	559 312	534 614
15. Finance lease obligation		
Minimum lease payments due		
- within one year	1 039 656	806 618
- in second to fifth year inclusive	2 884 714	3 498 530
	3 924 370	4 305 148
less: future finance charges	(651 288)	(902 079)
Present value of minimum lease payments	3 273 082	3 403 069
Present value of minimum lease payments due		
- within one year	744 200	488 073
- in second to fifth year inclusive	2 528 882	2 914 996
	3 273 082	3 403 069
Non-current liabilities	2 503 196	2 929 919
Current liabilities	744 200	488 073
	3 247 396	3 417 992

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the prime interest rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

16. Payables from exchange transactions

Trade payables	86 231 322	72 725 843
Payments received in advanced	450 409	211 788
Staff Underpaid	17 187	17 187
Rental Deposits	2 770	2 770
Accrued leave pay	2 427 922	1 727 669
Accrued bonus	607 499	465 337
Unallocated deposits received	160 373	158 590
Other payables	407 715	504 215
Retention fees	1 368 046	1 368 046
	91 673 243	77 181 445

17. VAT receivable

VAT	9 438 420	7 002 454
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The Municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

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Notes to the Financial Statements

Figures in Rand	2019	2018
17. VAT receivable (continued)		
VAT Receivable from SARS	3 626 701	3 626 701
Deferred VAT Claimable	5 873 500	5 873 500
Deferred VAT Payable	(61 781)	(2 497 747)
	9 438 420	7 002 454

18. Consumer deposits

Water and electricity	624 460	590 054
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19. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post employment medical aid contributions. All subsidies are subject to a maximum of R4 492.35 for the year ending 30 June 2019. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post employment medical scheme subsidy were 34 in-service members and 6 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2019 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2 196 026	2 327 256
Present value of the defined benefit obligation-partly or wholly funded	2 769 565	2 650 040
	4 965 591	4 977 296
Non-current liabilities	(4 729 246)	(4 742 456)
Current liabilities	(236 344)	(234 840)
	(4 965 590)	(4 977 296)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4 977 296	5 232 484
Vested Benefits	(234 840)	(254 390)
Acturial (gain) / Loss	(466 709)	(692 364)
Net expense recognised in the statement of financial performance	689 843	691 566
	4 965 590	4 977 296

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19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	230 334	211 007
Interest cost	459 509	480 559
	689 843	691 566

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	466 709	692 364
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,16 %	9,45 %
Medical cost trend rates	2,32 %	1,98 %
Expected increase in healthcare costs	6,71 %	7,32 %
Future changes in maximum state healthcare benefits	4,66 %	5,12 %

Replacement Ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement Assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership: It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and Post retirement mortality will have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	5 421 000	4 437 000

Amounts for the current and previous three years are as follows:

	2019	2018	2017
Defined benefit obligation	4 965 591	4 977 297	5 232 485

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19. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for these plans as a defined contribution plans.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	2 360 915	-
Library Grant	873 252	1 258 935
Expanded Public Works Programme	-	11 619
Finance Management Grant	1 412	-
Municipal Systems Infrastructure Grant	2 175	2 175
Integrated National Electricity Programme	38	38
Water Sanitation Infrastructure Grant	1 772 623	-
	5 010 415	1 272 767

Movement during the year

Balance at the beginning of the year	1 272 767	1 769 032
Additions during the year	40 046 000	41 110 000
Income recognition during the year	(35 558 641)	(41 606 265)
	5 760 126	1 272 767

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

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21. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	8 272 431	524 985	8 797 416

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	7 803 417	469 014	8 272 431

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2019.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2019. As the closure date is estimated to be at year end, no discount rates were applied.

There is a new site under development at Hopetown at 30 June 2019, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future, but cannot during this year's assessment due to no obligation to rehabilitate yet.

Summary of assumptions made for valuation purpose:

- Disposal rate at the sites less than 25 tonnes per day based on population statistics.
- Capping design based on DWS comments and/or recently issued closure licences in other Municipalities since no closure licences or designs have been issued for the Thembelihle Local Municipality.
- Sufficient quantities of capping material in the proportions as described in section 3.1 of independent valuation report are available from on-site and nearby sources and the rest are to be imported from commercial sources also as described under section 3.1. of the independent valuation report.
- The sites under consideration will be closed and replaced by the new Hopetown Landfill which is in development.
- Clay was replaced by GCL in the design estimate due to the unlikely availability of sufficient quality clay from on-site sources.

22. Third Party collections

The Liability is due to collections on behalf of the Department of safety on which the Municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections, were not paid over to the Department of safety. The balance payable to the Department of safety due to these non-payments is R130 643 (2019: R130 643)

The service level Agreement for the collections on behalf of the Department of Safety came to an end 30 June 2018 when the service was moved to the Post Office. It is only the Strydenburg office 88% that are paid over monthly.

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23. Long Service awards

The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening Balance	1 276 066
Current-service cost	144 488
Interest cost	108 448
Actuarial (Gain)/Loss	-48 572
Employee Benefit vesting's	-34 280
Closing Balance	1 446 150
Current Portion	262 296
Non-Current Portion	1 273 869

Key Financial Assumptions:

Discount rate:	8.16% p.a
General Salary Inflation:	5.56% p.a
Net effective discount rate:	2.46% p.a

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 2.96%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2019.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The Expected inflation assumption of 4.56% was obtained from the differential between market yields on index-linked bonds (2.96%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.16%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.16\%-0.50\%)/(1+2.96\%))-1$

Thus, a general salary inflation rate of 5.56% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.46%.

It has been assumed that the next salary increase will take place on 1 July 2020.

Key Demographic assumptions:

Average retirement age: 62 years

Mortality during employment: SA 85-90

Withdrawal from service (Sample annual rates)	Age	Rate Female	Rate Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

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23. Long Service awards (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Salary Scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 5.56% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 45	0.0%

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that employees will retire at age 62 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>55	0%	0%

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		1.536	
General salary inflation	+1%	1.633	6%
	-1%	1.449	-6%
Discount Rate	+1%	1.444	-6%
	-1%	1.640	7%
Average retirement age	-2 yrs	1.360	-11%
	+2 yrs	1.624	6%
Withdrawal rates	-50%	1.757	14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than the results shown.

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2019

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
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23. Long Service awards (continued)					
Central assumptions		144,500	108,400	252,900	
General salary inflation	+1%	156,500	116,200	272,700	8%
	-1%	133,700	101,500	235,200	-7%
Discount Rate	+1%	134,600	112,800	247,400	-2%
	-1%	155,600	103,200	258,800	2%
Average retirement age	-2 yrs	132,400	98,200	230,600	-9%
	+2 yrs	151,700	115,100	266,800	5%
Withdrawal rate	-50%	180,800	128,700	309,500	22%
Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020					
Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		178,700	114,900	293,600	
General salary inflation	+1%	193,800	122,700	316,500	8%
	-1%	165,100	107,700	272,800	-7%
Discount Rate	+1%	166,200	120,500	286,700	-2%
	-1%	192,800	108,200	301,000	3%
Average retirement age	-2 yrs	161,400	100,500	261,900	-11%
	+2 yrs	188,700	122,100	310,800	6%
Withdrawal rate	-50%	218,100	132,900	351,000	20%
History of liabilities and assets					
Accrued Liability			1 536 165	1 276 066	
Fair value of plan asset			-	-	
Surplus/ (Deficit)			(1 536 165)	(1 276 066)	
Past year and future projected Liability					
Opening accrued liability			1 276 066	1 206 868	
Current-service Cost			144 488	132 509	
Interest cost			108 448	93 673	
Expected Benefit Vestings			(34 280)	(66 488)	
Actuarial loss /Gain			41 443	(90 496)	
Closing accrued liability			(1 536 165)	(1 276 066)	
24. Revenue					
Service charges			21 701 936	19 903 524	
Rental of facilities and equipment			332 182	768 333	
Interest received (trading)			1 164 520	984 761	
Licences and permits (Exchange transactions)			160 584	219 555	
Licences or permits (Non-Exchange)			638 674	63 209	
Commissions received			110 061	508 225	
Other income - (rollup)			768 459	540 031	
Connection fees			46 994	62 109	
Interest received - investment			499 778	594 753	
Property rates			4 035 707	4 068 356	
Informal Settlement Rates			4 522	3 917	
Government grants & subsidies			60 897 668	58 710 169	
Fines, Penalties and Forfeits			211 350	1 100 800	
			90 572 435	87 527 742	

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24. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	21 701 936	19 903 524
Rental of facilities and equipment	332 182	768 333
Interest received (trading)	1 164 520	984 761
Licences and permits	160 584	219 555
Commissions received	110 061	508 225
Other income - (rollup)	768 459	540 031
Connection fees	46 994	62 109
Interest received - investment	499 778	594 753
	24 784 514	23 581 291
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4 035 707	4 068 356
Licences or permits	638 674	63 209
Informal Settlement Rates	4 522	3 917
Transfer revenue		
Government grants & subsidies	60 897 668	58 710 169
Fines, Penalties and Forfeits	211 350	1 100 800
	65 787 921	63 946 451
25. Service charges		
Sale of electricity	13 274 818	12 351 024
Sale of water	4 188 469	3 634 089
Sewerage and sanitation charges	2 861 368	2 603 769
Refuse removal	1 377 281	1 314 642
	21 701 936	19 903 524
26. Rental of facilities and equipment		
Premises		
Premises	300 554	719 721
Venue hire	28 150	46 699
	328 704	766 420
Facilities and equipment		
Rental of equipment	3 478	1 913
	332 182	768 333
27. Interest received		
Interest revenue		
Bank	499 778	594 753
Receivables from exchange transactions	1 164 520	984 761
	1 664 298	1 579 514

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Figures in Rand	2019	2018
28. Licences and permits		
Licence - exchange	160 584	219 555
Licence - non - exchange	638 674	63 209
	799 258	282 764
29. Commissions received		
Commission on Motor registration collections on behalf of Third Party	110 061	508 225
30. Other income		
Garden & Sale of Gravel	29 380	39 112
Building Plans	24 236	20 348
Advertising	6 159	11 831
Enchroachments	182 551	-
Grave Plots	8 420	9 312
Insurance payouts	355 229	129 017
Sundry repayments	83 993	279 002
Photostats & faxes	548	44
Sewerage obstructions	20 497	15 665
Tender Fees	45 739	19 486
Testing of meters	343	641
Valuation Certificates Issued	11 364	15 573
	768 459	540 031
31. Connection fees		
Relates to the amounts charged for connection of property water and electricity, either if accounts are in arrears or if property has changed hands.		
Consumers	46 994	62 109

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32. Property rates

Rates received

Residential	4 374 314	4 309 925
Less: Income forgone	(338 607)	(241 569)
	4 035 707	4 068 356

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The municipality was granted extension for the new general valuation roll to be implemented by the Department of Cooperative Governance, Human Settlements and Traditional Affairs.

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2018/19 financial period there were no alterations and subdivisions noted.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Valuations

Residential	197 277 600	197 277 600
Commercial	82 063 800	82 063 800
State	80 123 700	80 123 700
Small holdings and farms	2 882 138 100	2 882 138 100
	3 241 603 200	3 241 603 200

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2019 (30 September 2018). Interest at prime plus 1% per annum (2018: 11.5%).

The new general valuation was implemented on 01 July 2015.

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33. Government grants and subsidies		
Operating grants		
Equitable share	22 988 000	20 907 000
Finance Management Grant (FMG)	2 413 588	2 345 000
Expanded Public Works Programme (EPWP)	1 011 642	996 680
Library Grant	839 683	1 012 228
LG SETA Grant	29 917	24 505
Treasury's contribution towards Audit Fees	1 571 376	13 169 399
	28 854 206	38 454 812
Capital grants		
Municipal Infrastructure Grant (MIG)	11 991 085	8 255 357
Water Sanitation Infrastructure Grant (WSIG)	8 727 377	4 000 000
Integrated National Electricity Programme (INEP)	11 325 000	8 000 000
	32 043 462	20 255 357
	60 897 668	58 710 169
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Conditional grants received	37 909 668	37 803 169
Unconditional grants received	22 988 000	20 907 000
	60 897 668	58 710 169
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.		
All registered indigents receive a monthly subsidy of R 140 (2018: R 140), which is funded from the grant.		
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	89 357
Current-year receipts	14 352 000	8 166 000
Conditions met - transferred to revenue	(11 991 085)	(8 255 357)
	2 360 915	-
The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.		
All current year allocations were fully spent during the year and allocated to revenue under votes.		
Library Grant		
Balance unspent at beginning of year	1 258 935	1 669 163
Current-year receipts	454 000	602 000
Conditions met - transferred to revenue	(839 683)	(1 012 228)
	873 252	1 258 935

Conditions still to be met - remaining liabilities (see note 20).

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33. Government grants and subsidies (continued)

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	11 619	8 299
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 011 619)	(996 680)
	<u>-</u>	<u>11 619</u>

Conditions still to be met - remaining liabilities (see note 20).

The grants was received for the purpose of creating job opportunities.

Finance Management Grant (FMG)

Balance unspent at beginning of year	-	-
Current-year receipts	2 415 000	2 345 000
Conditions met - transferred to revenue	(2 413 588)	(2 345 000)
	<u>1 412</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	<u>2 175</u>	<u>2 175</u>
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Conditions still to be met - remaining liabilities (see note 20).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Integrated National Electricity Programme (INEP)

Balance unspent at beginning of year	38	38
Current-year receipts	11 325 000	8 000 000
Conditions met - transferred to revenue	(11 325 000)	(8 000 000)
	<u>38</u>	<u>38</u>

Conditions still to be met - remaining liabilities (see note 20).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	<u>274 659</u>	<u>274 659</u>
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Conditions still to be met - remain liabilities (see note 20).

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33. Government grants and subsidies (continued)

This Grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of infrastructure. The balance of expenditures relates to own funds utilised for the operational and maintenance work on sewerage and water schemes, these amounts will not be claimable in the 2018-19 financial period (R 274 659).

Water Sanitation Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	10 500 000	4 000 000
Conditions met - transferred to revenue	(8 727 377)	(4 000 000)
	1 772 623	-

Treasury Contribution towards Audit fees

Current-year receipts	1 571 356	13 169 399
Conditions met - transferred to revenue	(1 571 356)	(13 169 399)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor General equal to 1% of their total expenditures per annum. The balance of the audit fees are payable by Treasury.

34. Fines, Penalties and Forfeits

Traffic fines	211 350	1 100 800
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35. Employee related costs		
Basic	16 387 236	15 778 264
Medical aid - company contributions	1 094 490	1 135 043
UIF	152 233	153 755
SDL	328 798	235 158
Leave pay provision charge	857 392	(140 659)
Defined contribution plans	942 779	917 748
Overtime payments	1 022 620	1 123 656
13th Cheques	1 319 240	1 120 606
Car allowance	87 390	112 511
Housing benefits and allowances	23 203	33 803
Telephone Allowances	362 518	256 800
Pension fund contributions	2 495 974	2 345 274
Provident fund contributions	50 765	56 447
Stipends	212 097	207 283
Wages	144 396	2 100
Senior management remuneration	3 596 132	3 446 454
	29 077 263	26 784 243

Remuneration of Municipal Manager

Annual Remuneration	928 761	804 628
Car Allowance	157 454	122 809
Remote allowance	41 398	38 125
Annual payment	-	38 050
Contributions to UIF, Medical and Pension Funds	12 774	105 058
	1 140 387	1 108 670

Remuneration of Chief Finance Officer

Annual Remuneration	403 429	580 146
Annual Payment	-	30 495
Remote allowance	18 234	4 943
Contributions to UIF, Medical and Pension Funds	1 102	89 052
Car Allowance	70 000	-
Cellphone allowance	10 500	-
	503 265	704 636

The position of CFO has been vacant from 1 July 2017 until 30 November 2018. An acting allowance was paid during this time to N Jaxa and JT Oliphant. R Shuping was appointed 3 December 2018 as CFO.

Remuneration of Corporate Services Director

Annual Remuneration	770 571	640 134
Annual payment	49 359	67 716
Car Allowance	57 600	57 600
Housing Allowance	24 244	24 244
Cellphone allowance	4 500	-
Contributions to UIF, Medical and Pension Funds	189 842	113 507
	1 096 116	903 201

The Position of Corporate Services Director was vacant from 1 December 2016. An acting allowance was paid to VJ Mpamba from 1 July 2017 until 30 September 2018 and MM Makenna from 1 October 2018 until 30 June 2019.

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Figures in Rand	2019	2018
35. Employee related costs (continued)		
Remuneration of Technical Services Director		
Annual Remuneration	826 081	700 116
Car Allowance	-	28 005
Remote allowance	30 178	-
Contributions to UIF, Medical and Pension Funds	105	1 826
	856 364	729 947
36. Remuneration of councillors		
Councillors (Total Packages)	2 448 635	2 557 024
37. Administrative expenditure		
Administration and management fees	79 249	60 591
38. Depreciation and amortisation		
Property, plant and equipment	16 967 710	9 005 946
Intangible assets	61 560	62 800
	17 029 270	9 068 746
39. Finance costs		
Non-current borrowings	181 469	206 828
Trade and other payables	7 600 706	7 424 423
Finance leases	348 040	203 953
Increase in Rehabilitation Provision	524 985	469 014
	8 655 200	8 304 218
40. Operating lease		
The Municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2016 and is renewable on an annual basis. During the 2019 year of assessment, the renewal was performed in October 2018.		
<ul style="list-style-type: none">The rent payable on a monthly basis amounts to R4 220.50, exclusive of VAT.No escalation clauses exists and the contract is renewable after a year.Future rent payable:		
Amount payable within 1 year	12 662	12 240
	12 662	12 240
41. Bulk purchases		
Electricity	12 025 573	12 034 590
Water	536 321	473 130
	12 561 894	12 507 720

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Figures in Rand	2019	2018
42. General expenses		
Advertising	24 054	53 588
Auditors remuneration	3 385 936	3 019 170
Bank charges	97 021	102 962
Consulting and professional fees	3 790 225	4 013 835
Consumables	441 924	385 183
Delivery expenses	22 324	25 484
Entertainment	10 174	6 411
Insurance	684 427	501 413
IT expenses	480 927	489 009
Motor vehicle expenses	363 283	412 553
Fuel and oil	764 535	606 962
Postage and courier	101 688	48 987
Printing and stationery	226 012	205 627
Protective clothing	50 694	8 206
Project maintenance costs	4 428 504	7 638 246
Royalties and license fees	513 809	1 651 581
Security (Guarding of municipal property)	-	9 965
Staff welfare	8 670	9 823
Subscriptions and membership fees	401 500	500 000
Telephone and fax	230 246	295 186
Training	15 000	-
Electricity	641 091	590 552
Refuse	-	1 700
Free Basic Services	312 696	295 292
Special Programs	366 779	236 451
Subsistence and Traveling	913 884	1 375 111
Speed Law Enforcement	150	156 679
Cash shortages	-	4 709
Other expences (Contracted Services)	144 784	207 873
Chemicals	524 612	529 795
	18 944 949	23 382 353
43. Fair value adjustments		
Investment property (Fair value model)	210 684	227 094

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44. Cash generated from operations

Deficit	(6 649 723)	(2 520 628)
Adjustments for:		
Depreciation and amortisation	17 029 270	9 068 746
Gain (loss) on sale of assets and liabilities	142 557	269 173
Fair value adjustments	(210 684)	(227 094)
Debt impairment	8 824 367	7 615 150
Actuarial cost	(607 960)	(973 441)
Movements in provisions	524 985	469 014
Adjustment to employee benefit obligations	689 843	691 566
Adjustments to long service awards	252 936	226 182
Changes in working capital:		
Inventories	(18 963)	42 823
Receivables from exchange transactions	(9 487 880)	(6 878 301)
Consumer debtors	34 406	26 289
Receivables from non-exchange transactions	(252 250)	(1 280 013)
Employee benefits	842 419	(478 050)
Payables from exchange transactions	13 649 384	11 169 845
VAT	(2 435 966)	(2 402 745)
Unspent conditional grants and receipts	3 737 648	(496 265)
Third Party Collections	-	(391 133)
Contributions paid to Long Service Awards	(34 280)	(66 488)
Contributions paid to Employee Benefit Obligations	(52 149)	(63 809)
	25 977 960	13 800 821

45. Other revenue

Commissions received	110 061	508 225
Other income - (rollup)	768 459	540 031
Connection Fees	46 994	62 109
	925 514	1 110 365

46. Auditors' remuneration

Fees	3 385 936	3 019 170
Fees paid consists of the following:		
External Audit fees	3 051 993	2 579 889
Consulting - Internal audit fees	333 943	439 281
	3 385 936	3 019 170

47. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	3 472 560	3 472 560
Other receivables from non-exchange transactions	2 041 559	2 041 559
Cash and cash equivalents	4 352 317	4 352 317
Other receivables	595 416	595 416
	10 461 852	10 461 852

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Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	3 247 396	-	3 247 396
Loans Payables	3 463 930	-	3 463 930
Trade and other payables from exchange transactions	-	91 673 233	91 673 233
Third party collections	-	130 643	130 643
	6 711 326	91 803 876	98 515 202

2018

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2 380 976	2 380 976
Other receivables from non-exchange transactions	2 200 068	2 200 068
Cash and cash equivalents	976 470	976 470
Other Recievables	595 416	595 416
	6 152 930	6 152 930

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	3 417 991	-	3 417 991
Loans Payable	3 818 451	-	3 818 451
Trade and other payables from exchange transactions	-	77 181 439	77 181 439
Third party Collections	-	130 643	130 643
	7 236 442	77 312 082	84 548 524

48. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	15 810 227	28 936 129
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	15 080 657	30 143 828
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Total capital commitments

Already contracted for but not provided for	15 810 227	28 936 129
Not yet contracted for and authorised by accounting officer	15 080 657	30 143 828
	30 890 884	59 079 957

Total commitments

Total commitments

Authorised capital expenditure	30 890 884	57 750 540
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

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49. Contingencies

Contingent Liabilities

No contingent liabilities have been identified.

Contingent assets

No contingent assets have been identified.

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50. Related parties

Relationships

Accounting Officer
Shareholder with joint control

The accounting officer had no interest in contracts

VJ Mpamba - None
S Marufu - Tlosaleuba Consulting Services
N Jaxa - Laphuma Ikwezi Trading
F Human - Thembelihle Agricultural
J Breyl - None

Council

J Thomas - None
B Mpamba - None
B Tshangela - Thembelihle Agricultural
HL Brits - Oranjerivier Sekuriteit
J Tallies - None
PM Naude - None
R Ngxabazi - None
S Swartling - None

Related party balances

Accounts included in Trade Receivables regarding related parties

Mpamba B	47 677	-
Tshangela B	955	-
Naude PM	15 783	-
Swartling S	22	-
Jack MR	-	14 513

Rent recieved from related parties

Graham LE	6 759	8 917
Gorrah TP	-	21 442
Esterhuizen EE	461	-
Molusi TC	12 691	17 321
Marufu S	31 692	42 007
Jafta P	5 890	-
Links J	300	-
Ramabodu K	-	12 428
Goaya R	9 056	12 136
Shuping R	3 307	-
Jack MR	17 866	14 513

Related party transactions

Purchases from lated parties

MTN Service provider	-	48 418
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It has been identified that Maserame Rebecca Mouyeme, who is a non-executive Director at MTN Service Provider, has been in the employment of Johannesburg Fresh Produce in the previous 12 months. The payments made to this supplier as per the general ledger amounts to R48 418. As this amount exceeds R2 000, this is disclosed as a related aptry transaction as set out in Supply Chain Management Regulation 45.

Compensation to accounting officer and other key management

Accounting Officer - AM Mogale	-	384 911
Accounting Officer - MR Jack	1 140 387	723 758
Corporate Service Director - M Makena (Acting 01 Oct 2018 - 30 June 2019)	459 931	-
Corporate Service Director - VJ Mpamba (Acting 31 July 2018 - 30 September 2018)	636 185	903 201
Chief Financial Officer - R Shuping (Appointed - 03 December 2018)	520 843	-
Chief Financial Officer - N Jaxa (Acting 01 Aug 2018 - 30 Nov 2018)	11 607	688 326

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50. Related parties (continued)		
Chief Financial Officer - JT Oliphant (Acting July 2018 - Sept 2018)	5 971	16 310
Technical Service Director - A Marufu	856 364	729 947
Mayor - B Mpamba	859 922	832 868
	4 491 210	4 279 321
Compensation to councillors		
S Swartling	340 605	347 069
B Tshangela	354 951	347 069
J Tallies	359 176	347 069
R Ngxabazi	399 186	383 881
H Brits	365 340	384 847
P Naude	318 290	286 644
	2 137 548	2 096 579

51. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment	11	232 289 069	8 005 088	240 294 157
Investment Property	10	8 123 158	12 945 207	21 068 365
Retention fees	16	1 201 643	166 403	1 368 046
		241 613 870	21 116 698	262 730 568

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Reclassification	Restated
Depreciation and Amortisation	38	(9 030 061)	(38 685)	-	(9 068 746)
Finance cost	39	(8 303 303)	-	(915)	(8 304 218)
General expenses	42	(23 175 395)	-	(206 958)	(23 382 353)
Deficit for the year		(40 508 759)	(38 685)	(207 873)	(40 755 317)

Errors

A number of accounts were re-stated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

The following prior period errors adjustments occurred:

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2019

2018

51. Prior-year adjustments (continued)

Property Plant and Equipment

Assets were identified by Infratec advisory, which were not included in the prior year. They also identified Investment property (houses being rented out to employees below market value that was reclassified to Property, Plant and Equipment.

During the annual asset verification, assets were identified which were previously not recognised in the prior year. This amounted to an adjustment to cost of R30 672 608.41 and an adjustment to accumulated depreciation of R18 524 790.67.

Change in accounting policy

No change in accounting policies occurred during the year under review.

[If retrospective application is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

Reclassifications

Repairs and maintenance were reclassified according to the nature of the expenditure, in order to be in line with paragraph 104 of GRAP 1, which requires that an entity presents an analysis of expenditure either by nature or by function.

52. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from exchange transactions	3 472 560	2 380 976
Receivables from non-exchange transactions	2 041 559	2 200 068
Other receivables	595 416	595 416

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52. Risk management (continued)

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2019 and 2018, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10,00 %	5 514 118	-	-	-	-
Other Receivables	- %	595 416	-	-	-	-
Cash in current banking institutions	- %	4 352 317	-	-	-	-
Trade and other payables - Extended Credit terms	- %	91 673 233	-	-	-	-
Loan from DBSA	- %	559 312	2 904 618	-	-	-
Finances leases	- %	744 200	2 503 196	-	-	-
Third party collections	- %	130 643	-	-	-	-

53. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 162 306 163 and that the municipality's total assets exceed its liabilities by R 162 306 163. In the current financial year, the municipality had an operating deficit of R6 649 723.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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53. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently relies on grants received from National and Provincial government.

;The following matters have been considered relating to the going concern:

- Council approved the budget for the 2018/19 to 2020/21 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF), which supports the ongoing delivery of municipal services to residents reflected that the budget, was backed over the three year period.

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.

- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including associated risks and remedial actions to be instituted.

- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

- A strategy has been developed to improve debt collections on outstanding accounts. The policy will be strictly applied by handing over outstanding accounts, cutting off of services such as electricity and restricting water flows. The Municipality will also be implementing a blacklisting strategy where long outstanding debtors will be blacklisted. Distribution losses are also being inspected on a monthly bases for electricity and water, procedures to be implemented by management to improve The percentage loss month on month and finding alternatives.

'- The current ratio, also referred to as the operating capital ratio in municipalities, is a financial ratio that measures whether or not the institution has enough resources to pay its debts within the next 12 months. The current ratio is thus an indication of an institution's ability to meet short-term obligations. Acceptable current ratios vary from industry to industry. Swanevelder (1991: 193) determined the current ratios of municipalities to be 1.98 : 1. If a municipality's current assets are in this range, then it is generally considered to have good short-term financial strength. If current liabilities exceed current assets (and the current ratio is below 1), then the institution may have problems meeting its short-term obligations. If the current ratio is too high, the institution may not be efficiently utilising its current assets (Swanevelder 2005: 73). The calculated ratio of the municipality is 0.26 : 1, which is below the acceptable range.

- The acid-test or quick ratio:Swanevelder (1991: 193) determined an acid test ratio of between 105.6% (or 1.06 : 1) and 282.4% (or 2.82 : 1) for a sample group of municipalities in 1991. The fact that the keeping of inventory is not part of a municipality's major activities is noticeable in this relatively high ratio. The calculated ratio of the municipality is 0.26 : 1, which is below the acceptable range.

- The solvency ratio: The solvency of a municipality is best expressed by the debt ratio (Scott 2001: 148). This ratio compares the total assets with total liabilities, and it shows the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. An acceptable ratio is 1 : 1. The calculated ratio of the municipality is 2 : 1, which is above the acceptable range

- All creditors are not paid within the required 30 days.

54. Events after the reporting date

No events occurred after the reporting date.

55. Unauthorised expenditure

Unauthorised expenditure	87 769 503	57 959 706
Unauthorised expenditure - Current year	-	29 809 797
	87 769 503	87 769 503

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56. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	22 518 467	15 142 443
Fruitless and wasteful expenditure - Current year	7 480 683	7 376 024
Fruitless and wasteful prior year identified in current year	915	-
	30 000 065	22 518 467

Interest charges on overdue accounts: The Municipality was charged for interest on outstanding accounts. A register containing the information required by the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Eskom	7 395 656	6 554 489
Auditor General	36 540	758 272
Other Creditors	48 486	63 263
	7 480 682	7 376 024

57. Irregular expenditure

Opening balance	112 865 460	111 541 075
Add: Irregular Expenditure - current year	15 019 986	1 324 385
	127 885 446	112 865 460

Analysis of expenditure awaiting condonation per age classification

Current year	15 019 986	1 324 385
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58. Deviations

Deviations - Current year	3 244 779	1 759 225
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59. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	554 898	9 868 283
Current year subscription / fee	3 476 057	3 856 014
Amount paid - current year	(1 916 075)	(13 169 399)
Closing Balance	2 114 880	554 898

PAYE and UIF

Opening balance	(193)	(193)
Current year subscription / fee	4 129 431	3 849 440
Amount paid - current year	(4 129 431)	(3 849 440)
Closing Balance	(193)	(193)

Pension and Medical Aid Deductions

Opening balance	(25 150)	(25 150)
Current year subscription / fee	6 160 324	5 796 582
Amount paid - current year	(6 160 324)	(5 796 582)
	(25 150)	(25 150)

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Financial Statements for the year ended 30 June 2019

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59. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	9 438 420	7 002 454
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VAT output payables and VAT input receivables are shown in note .

60. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 463 930	3 818 451
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

61. Distribution Losses - Water

Water

Water units available for sale (KI)	1 755 113	1 601 660
Water units sold (KI)	(599 509)	(608 517)
Water units lost (KI)	1 148 624	1 601 660
Average cost per unit (R)	8	8
Total loss in Rand value	9 129 186	7 458 505

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 66% (2018: 62%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 7.95 (2018: R 7.51). The level of the distribution losses are not within the acceptable norms.

62. Distribution Losses - Electricity

Electricity

Electricity units bought (Kwh)	13 009 372	9 763 613
Electricity units sold (Kwh)	(7 122 766)	(6 578 200)
Electricity units lost (Kwh)	5 886 606	3 185 413
Highest electricity rate	2	2
Total loss in Rand value	14 127 854	5 797 451

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 45% (2018: 33%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R2.40 (2018: R 2.00). The level of the distribution losses are not within the acceptable norms.

Thembelihle Local Municipality

Appendix A

June 2019

Un-audited Schedule of external loans as at 30 June 2019

Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand	Rand	Rand
Development Bank of South Africa							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DBSA Loan @ 5%	61007287	3 818 451	-	348 393	3 470 058	-	-
		3 818 451	-	348 393	3 470 058	-	-
Lease liability							
Leases	All Finance Leases	3 417 992	380 580	551 176	3 247 396	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		3 417 992	380 580	551 176	3 247 396	-	-
Total external loans		7 236 443	380 580	899 569	6 717 454	-	-

Thembelihle Local Municipality
Thembelihle Local Municipality

Appendix B

June 2019

**Analysis of property, plant and
equipment as at 30 June 2019**

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand
Land and buildings												
Land (Separate for AFS purposes)	1 716 071	-	-	-	-	1 716 071	-	-	-	-	-	1 716 071
Buildings (Separate for AFS purposes)	29 516 544	-	-	-	-	29 516 544	(15 298 279)	-	-	(1 660 947)	(16 959 226)	12 557 318
	31 232 615	-	-	-	-	31 232 615	(15 298 279)	-	-	(1 660 947)	(16 959 226)	14 273 389
Infrastructure												
Electricity Buildings & Facilities	8 828 351	-	-	-	-	8 828 351	(3 386 095)	-	-	(277 669)	(3 663 764)	5 164 587
Electricity Poles	2 292 490	-	-	-	-	2 292 490	(1 283 846)	-	-	(64 725)	(1 348 571)	943 919
Electricity Mini Subs	4 731 674	-	-	-	-	4 731 674	(1 469 007)	-	-	(115 662)	(1 584 669)	3 147 005
Electricity Transformers	6 211 397	-	-	-	-	6 211 397	(1 234 057)	-	-	(137 948)	(1 372 005)	4 839 392
Other Buildings & Facilities	8 735 222	-	-	411 810	-	9 147 032	(5 886 177)	-	-	(239 345)	(6 125 522)	3 021 510
Roads Stormwater	102 824	-	-	-	-	102 824	(61 026)	-	-	(2 822)	(63 848)	38 976
Road Structures	61 846 666	-	-	-	-	61 846 666	(22 546 128)	-	-	(1 533 331)	(24 079 459)	37 767 207
Traffic Management	701 178	-	-	-	-	701 178	(423 243)	-	-	(19 810)	(443 053)	258 125
Bridges	3 175 851	-	-	-	-	3 175 851	(1 930 724)	-	-	(91 888)	(2 022 612)	1 153 239
Roads - Buildings & Facilities	6 795 105	-	-	-	-	6 795 105	(3 966 585)	-	-	(189 054)	(4 155 639)	2 639 466
Waste Water Treatment	45 344 113	-	-	-	-	45 344 113	(15 749 751)	-	-	(1 071 277)	(16 821 028)	28 523 085
Collection / Reticulation Network	3 095 269	-	-	-	-	3 095 269	(1 491 135)	-	-	(95 108)	(1 586 243)	1 509 026
Boreholes	45 210	-	-	-	-	45 210	(26 132)	-	-	(1 289)	(27 421)	17 789
Distribution Reticulation Network	47 108 410	-	-	-	-	47 108 410	(22 258 812)	-	-	(1 351 158)	(23 609 970)	23 498 440
Water Pump Station & Buildings	31 391 821	111 125	-	-	-	31 502 946	(1 845 594)	-	-	(653 905)	(2 499 499)	29 003 447
Water Buildings and External Facilities	77 294 469	-	-	-	-	77 294 469	(22 351 615)	-	-	(1 893 619)	(24 245 234)	53 049 235
Sewer Pump Station	159 959	-	-	-	-	159 959	(97 417)	-	-	(4 549)	(101 966)	57 993
Work in Progress	13 807 378	23 345 858	-	(10 657 789)	-	26 495 447	-	-	-	-	-	26 495 447
	321 667 387	23 456 983	-	(10 245 979)	-	334 878 391	(106 007 344)	-	-	(7 743 159)	(113 750 503)	221 127 888

Thembelihle Local Municipality
Thembelihle Local Municipality

Appendix B

June 2019

**Analysis of property, plant and
equipment as at 30 June 2019**

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand
Leased assets												
Office Equipment	4 270 609	380 580	-	-	-	4 651 189	(983 091)	-	-	(716 790)	(1 699 881)	2 951 308
	4 270 609	380 580	-	-	-	4 651 189	(983 091)	-	-	(716 790)	(1 699 881)	2 951 308
Specialised vehicles												
Other assets												
General vehicles	1 248 061	-	(65 399)	-	-	1 182 662	(382 655)	-	-	(133 262)	(515 917)	666 745
Plant & equipment	1 242 804	30 438	(400)	-	-	1 272 842	(639 479)	-	-	(164 402)	(803 881)	468 961
Furniture & Fittings	1 172 145	2 900	(677)	-	-	1 174 368	(588 007)	-	-	(145 210)	(733 217)	441 151
Office Equipment	1 467 986	83 261	(6 479)	-	-	1 544 768	(719 720)	-	-	(220 107)	(939 827)	604 941
Emergency Equipment	305 684	-	-	-	-	305 684	(190 705)	-	-	(30 739)	(221 444)	84 240
	5 436 680	116 599	(72 955)	-	-	5 480 324	(2 520 566)	-	-	(693 720)	(3 214 286)	2 266 038

Thembelihle Local Municipality
Thembelihle Local Municipality

Appendix B

June 2019

**Analysis of property, plant and
equipment as at 30 June 2019**

Cost/Revaluation

Accumulated depreciation and impairment

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Fair value adjustments Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation / impairment Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment												
Land and buildings	31 232 615	-	-	-	-	31 232 615	(15 298 279)	-	-	(1 660 947)	(16 959 226)	14 273 389
Infrastructure	321 667 387	23 456 983	-	(10 245 979)	-	334 878 391	(106 007 344)	-	-	(7 743 159)	(113 750 503)	221 127 888
Leased assets	4 270 609	380 580	-	-	-	4 651 189	(983 091)	-	-	(716 790)	(1 699 881)	2 951 308
Other assets	5 436 680	116 599	(72 955)	-	-	5 480 324	(2 520 566)	-	-	(693 720)	(3 214 286)	2 266 038
	362 607 291	23 954 162	(72 955)	(10 245 979)	-	376 242 519	(124 809 280)	-	-	(10 814 616)	(135 623 896)	240 618 623
Intangible assets												
Computers - software & programming	582 817	-	-	-	-	582 817	(467 304)	-	-	(61 561)	(528 865)	53 952
	582 817	-	-	-	-	582 817	(467 304)	-	-	(61 561)	(528 865)	53 952
Investment properties												
Investment property	10 421 704	-	-	-	104 217	10 525 921	-	-	-	-	-	10 525 921
	10 421 704	-	-	-	104 217	10 525 921	-	-	-	-	-	10 525 921
Total												
Land and buildings	31 232 615	-	-	-	-	31 232 615	(15 298 279)	-	-	(1 660 947)	(16 959 226)	14 273 389
Infrastructure	321 667 387	23 456 983	-	(10 245 979)	-	334 878 391	(106 007 344)	-	-	(7 743 159)	(113 750 503)	221 127 888
Leased assets	4 270 609	380 580	-	-	-	4 651 189	(983 091)	-	-	(716 790)	(1 699 881)	2 951 308
Other assets	5 436 680	116 599	(72 955)	-	-	5 480 324	(2 520 566)	-	-	(693 720)	(3 214 286)	2 266 038
Intangible assets	582 817	-	-	-	-	582 817	(467 304)	-	-	(61 561)	(528 865)	53 952
Investment properties	10 421 704	-	-	-	104 217	10 525 921	-	-	-	-	-	10 525 921
	373 611 812	23 954 162	(72 955)	(10 245 979)	104 217	387 351 257	(125 276 584)	-	-	(10 876 177)	(136 152 761)	251 198 496

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation				

Cost/Revaluation						Accumulated depreciation				

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation					Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation					Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand

Thembelihle Local Municipality

Appendix C

June 2019

Un-audited Segmental analysis of property, plant and equipment as at 30 June 2018 Cost/Revaluation Accumulated Depreciation and Impairment

	Opening Balance	Additions	Additions - Under construction	Disposals	Closing Balance	Opening Balance	Disposals	Depreciation / Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Municipality										
Executive & Council/Mayor and Council	608 603	-	-	(20 908)	587 695	(332 058)	13 285	(106 915)	(425 688)	162 007
Finance & Admin/Finance	2 869 004	3 748 491	-	(593 961)	6 023 534	(1 106 756)	336 232	(848 687)	(1 619 211)	4 404 323
Planning and Development	9 812 409	-	-	-	9 812 409	(6 655 614)	-	(216 320)	(6 871 934)	2 940 475
Comm. & Social/Libraries and archives	19 560 436	-	3 066 840	-	22 627 276	(2 971 393)	-	(295 952)	(3 267 345)	19 359 931
Waste Water Management/Sewerage	48 599 340	-	-	-	48 599 340	(17 338 303)	-	(1 170 934)	(18 509 237)	30 090 103
Road Transport/Roads	79 266 336	-	7 124 452	-	86 390 788	(28 935 390)	-	(1 829 170)	(30 764 560)	55 626 228
Water/Water Distribution	154 350 708	111 125	-	(11 350)	154 450 483	(46 569 650)	5 337	(3 900 211)	(50 464 524)	103 985 959
Electricity /Electricity Distribution	22 114 909	-	1 603 908	-	23 718 817	(7 398 891)	-	(599 070)	(7 997 961)	15 720 856
	337 181 745	3 859 616	11 795 200	(626 219)	352 210 342	(111 308 055)	354 854	(8 967 259)	(119 920 460)	232 289 882
Total	337 181 745	3 859 616	11 795 200	(626 219)	352 210 342	(111 308 055)	354 854	(8 967 259)	(119 920 460)	232 289 882

Thembelihle Local Municipality

Un-audited Appendix D

June 2019

**Segmental Statement of Financial Performance for the year ended
Prior Year Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
31 024 285	6 019 341	25 004 944	Executive & Council/Mayor and Council	24 559 495	9 948 657	14 610 838
4 327 678	27 717 547	(23 389 869)	Finance & Admin/Finance	8 778 025	35 881 557	(27 103 532)
4 715 137	6 683 762	(1 968 625)	Planning and Development/Economic Development/Plan	13 139 771	8 272 063	4 867 708
-	-	-	Health/Clinics	-	-	-
11 419 384	13 206 530	(1 787 146)	Comm. & Social/Libraries and archives	1 248 679	1 993 031	(744 352)
-	-	-	Housing	-	-	-
1 320 355	2 179 638	(859 283)	Public Safety/Police	471 514	17 965 645	(17 494 131)
-	-	-	Sport and Recreation	-	-	-
2 143 423	1 527 184	616 239	Environmental Protection/Pollution Control	1 926 119	2 029 227	(103 108)
4 044 736	1 032 388	3 012 348	Waste Water Management/Sewerage	3 820 098	1 955 893	1 864 205
548 936	6 640 652	(6 091 716)	Road Transport/Roads	1 044 479	2 068 523	(1 024 044)
8 589 233	12 369 801	(3 780 568)	Water/Water Distribution	13 626 234	6 415 318	7 210 916
20 595 110	13 872 062	6 723 048	Electricity /Electricity Distribution	24 859 388	14 152 681	10 706 707
-	-	-	Other/Air Transport	-	-	-
88 728 277	91 248 905	(2 520 628)		93 473 802	100 682 595	(7 208 793)
88 728 277	91 248 905	(2 520 628)	Municipality	93 473 802	100 682 595	(7 208 793)
88 728 277	91 248 905	(2 520 628)	Total	93 473 802	100 682 595	(7 208 793)

Thembelihle Local Municipality

Appendix E(1)

June 2019

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019

	Forecast # 1 2019 Act. Bal.	Forecast # 1 2019 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	4 035 707	5 404 443	(1 368 736)	(25,3)	
Service charges	21 701 936	22 584 356	(882 420)	(3,9)	
Rental of facilities and equipment	332 182	500 300	(168 118)	(33,6)	
Interest received (trading)	1 164 520	1 025 481	139 039	13,6	
Fines, Licences and permits	371 934	425 289	(53 355)	(12,5)	
Government Grants	60 897 668	64 112 920	(3 215 252)	(5,0)	
Commissions received	110 061	458 625	(348 564)	(76,0)	
Other income - (rollup)	1 411 655	2 500 600	(1 088 945)	(43,5)	
Connection fees	46 994	-	46 994	-	
Interest received - investment	499 778	641 633	(141 855)	(22,1)	
	90 572 435	97 653 647	(7 081 212)	(7,3)	
Expenses					
Personnel expenses	(29 059 110)	(25 455 987)	(3 603 123)	14,2	
Remuneration of councillors	(2 448 635)	(2 833 510)	384 875	(13,6)	
	-	-	-	-	
Depreciation	(16 967 710)	(8 105 280)	(8 862 430)	109,3	
Amortisation	(61 560)	(127 320)	65 760	(51,6)	
	-	-	-	-	
Debt Impairment	(8 824 367)	(819 043)	(8 005 324)	977,4	
Bulk purchases	(13 032 650)	(9 064 984)	(3 967 666)	43,8	
Contracted Services	(144 784)	(2 522 859)	2 378 075	(94,3)	
General Expenses	(27 812 029)	(14 617 021)	(13 195 008)	90,3	
	(98 350 845)	(63 546 004)	(34 804 841)	54,8	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(142 557)	(2 949 800)	2 807 243	(95,2)	
Fair value adjustments	104 217	-	104 217	-	
	(38 340)	(2 949 800)	2 911 460	(98,7)	
Net surplus/ (deficit) for the year	(7 816 750)	31 157 843	(38 974 593)	(125,1)	

Thembelihle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2019

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
					Jun					Jun									
Equitable Share	Treasury	9 578	7 663	5 747	-	-	(9 578)	(7 663)	(5 747)	-	-	-	-	-	-	-	-	Yes	
MIG	Treasury	3 200	2 800	3 352	-	-	(2 612)	(2 662)	(1 992)	(4 725)	-	-	-	-	-	-	-	Yes	
WSIG	Treasury	3 000	1 800	1 200	-	-	(2 436)	(1 352)	(1 308)	(3 630)	-	-	-	-	-	-	-	Yes	
FMG	Treasury	2 415	-	-	-	-	(158)	(940)	(799)	(517)	-	-	-	-	-	-	-	Yes	
MSIG	Treasury	-	566	467	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
EPWP	Treasury	250	450	300	-	-	(257)	(182)	(484)	(123)	-	-	-	-	-	-	-	Yes	
INEP	Treasury	5 000	-	6 325	-	-	-	(21)	(1 163)	10 122	-	-	-	-	-	-	-	Yes	
Library	Province	227	-	227	-	-	(36)	(203)	(324)	(278)	-	-	-	-	-	-	-	Yes	
		<u>23 670</u>	<u>13 279</u>	<u>17 618</u>	<u>-</u>	<u>-</u>	<u>15 077</u>	<u>13 023</u>	<u>11 817</u>	<u>19 395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Thembelihle Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2019

	2018/2019										2018/2017				
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote															
Vote 1 - Directorate of Mayor and Council	19 774 124	-	19 774 124	-		19 774 124	24 559 495		4 785 371	124 %	124 %				-
Vote 2 - Directorate of the Municipal Manager	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Vote 3 - Office of Financial Management	12 455 402	(3 004 405)	9 450 997	-		9 450 997	8 778 025		(672 972)	93 %	70 %				-
Vote 4 - Office of Corporate Services	3 732 527	(1 499 939)	2 232 588	-		2 232 588	13 139 771		10 907 183	589 %	352 %				-
Vote 5 - Office of Technical Services	64 544 643	2 030 226	66 574 869	-		66 574 869	45 747 832		(20 827 037)	69 %	71 %				-
Vote 6 Community and Social Services	1 310 093	1 260 775	2 570 868	-		2 570 868	1 248 679		(1 322 189)	49 %	95 %				-
Example 7 - Vote7	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 8 - Vote8	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 9 - Vote9	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 10 - Vote10	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 11 - Vote11	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 12 - Vote12	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 13 - Vote13	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 14 - Vote14	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Example 15 - Vote15	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue by Vote	101 816 789	(1 213 343)	100 603 446	-		100 603 446	93 473 802		(7 129 644)	93 %	92 %				-
Expenditure by Vote to be appropriated															
Vote 1 - Directorate of Mayor and Council	4 354 522	818 382	5 172 904	-		5 172 904	9 948 657		4 775 753	192 %	228 %	-	-	-	-
Vote 2 - Directorate of the Municipal Manager	1 806 744	63 205	1 869 949	-		1 869 949	-		(1 869 949)	- %	- %	-	-	-	-
Vote 3 - Office of Financial Management	10 395 685	759 898	11 155 583	-		11 155 583	35 881 557		24 725 974	322 %	345 %	-	-	-	-
Vote 4 - Office of Corporate Services	16 766 588	(6 765 340)	10 001 248	-		10 001 248	8 272 063		(1 729 185)	83 %	49 %	-	-	-	-
Vote 5 - Office of Technical Services	31 385 297	1 233 322	32 618 619	-		32 618 619	44 587 287		11 968 668	137 %	142 %	-	-	-	-
Vote 6 Community and Social Services	2 647 294	80 406	2 727 700	-		2 727 700	1 993 031		(734 669)	73 %	75 %	-	-	-	-
Example 7 - Vote7	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure by Vote	67 356 130	(3 810 127)	63 546 003	-		63 546 003	100 682 595		37 136 592	158 %	149 %	-	-	-	-
Surplus/(Deficit) for the year	34 460 659	2 596 784	37 057 443	-		37 057 443	(7 208 793)		(44 266 236)	(19)%	(21)%				-