WEST COAST DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

General Information

Mayoral committee	Ald J H Cleophas (Executive Mayor)
	Cllr R W Strydom (Deputy Executive Mayor)
	Cllr R E Swarts (Speaker)
	Cllr J A Engelbrecht
	Ald F J Schippers
	Ald B J Stanley
	Cllr V D McQuire
Councillors	Cllr S A Gxabalashe
	Cllr F Kamfer
	Cllr G Stephens
	Cllr J Alexander
	Cllr J J Hoop
	Cllr N M Ngobo
	Cllr M Carosini
	Cllr N S Qunta
	Cllr R V Pretorius
	Ald S I J Smit
	Cllr J C Botha
	Cllr E B Mankay
	Ald E Nackerdien
	Cllr M Schrader
	Cllr S M Scholtz
	Cllr B J Penxa
	Cllr C H Papers
	Ald E Plaatjies
Grading of local authority	Grade 4
Credit Rating	Long Term : A-
	Short Term : A1-
Registered office	58 Long Street
	Moorreesburg
	7310
Postal address	P O Box 242
	Moorreesburg
	7310
Bankers	First National Bank
	62001436014
Auditors	Auditor General of SA
	Registered Auditors
Telephone	022 - 433 8400
Fax	086 692 6113
Accounting Officer	Mr D C Joubert
Chief Financial Officer (CFO)	Dr J C P Tesselaar

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

I AM RESPONSIBLE FOR THE PREPARATION OF THESE ANNUAL FINANCIAL STATEMENTS, WHICH ARE SET OUT ON PAGES 3 TO 99, IN TERMS OF SECTION 126 (1) OF THE MUNICIPAL FINANCE MANAGEMENT ACT, AND WHICH I HAVE SIGNED ON BEHALF OF THE MUNICIPALITY.

I CERTIFY THAT THE SALARIES, ALLOWANCES AND BENEFITS OF COUNCILLORS AS DISCLOSED IN NOTE 22 OF THESE ANNUAL FINANCIAL STATEMENTS ARE WITHIN THE UPPER LIMITS OF THE FRAMEWORK AS ENVISAGED IN SECTION 219 OF THE CONSTITUTION, READ WITH THE REMUNERATION OF PUBLIC OFFICE BEARERS ACT, 20 OF 1998, AND THE MINISTER OF PROVINCIAL AND LOCAL GOVERNMENT'S DETERMINATION IN ACCORDANCE WITH THIS ACT.

Mr D C Joubert	**Dr J C P Tesselaar**
Municipal Manager - 29 November 2019	**Chief Financial Officer - 29 November 2019**

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated
Assets			
Current Assets			
Cash and cash equivalents	6	306 612 607	269 808 077
Trade receivables from exchange transactions	5	11 720 717	8 377 991
Other receivables from exchange transactions	4	21 098 046	3 862 865
Inventories	3	7 684 114	7 030 453
Employee benefit - road receivable	15	1 295 557	1 439 222
Current portion of asset receivable - local municipalities	52	14 728 192	13 731 176
		363 139 233	**304 249 784**
Non-Current Assets			
Investment property	7	4 505 862	4 539 072
Property, plant and equipment	8	78 270 800	76 718 201
Intangible assets	9	2 721 842	3 729 480
Employee benefit - road receivable	15	18 965 822	21 728 046
Distribution receivable	50	-	7 043 651
Asset receivable - local municipalities	52	10 609 683	22 871 197
		115 074 009	**136 629 647**
Total Assets		**478 213 242**	**440 879 431**
Liabilities			
Current Liabilities			
Trade payables from exchange transactions	10	18 798 348	15 786 882
VAT payable	11	3 501 422	2 892 352
Unspent conditional grants and subsidies	12&20	1 291 586	1 418 560
Employee benefits	13	10 103 753	9 034 378
Current portion of long-term liabilities	14&28	14 728 192	13 731 176
		48 423 301	**42 863 348**
Non-Current Liabilities			
Medical aid benefits	15	66 074 747	65 140 904
Long service awards	16	7 739 359	8 004 167
Long-term liabilities	14	12 881 730	27 153 151
Distribution provision	50	28 114 580	-
		114 810 416	**100 298 222**
Total Liabilities		**163 233 717**	**143 161 570**
Net Assets		**314 979 525**	**297 717 861**
Accumulated surplus	17	314 979 525	297 717 861

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated
Revenue			
Revenue from exchange transactions			
Service concession revenue	18	80 294 718	92 371 124
Roads agency services	42	138 309 015	128 521 889
Other revenue	19	4 929 966	10 348 552
Fees earned	48	446 183	316 766
Resort income	7	4 252 735	3 643 288
Finance income	44	27 904 480	21 753 463
Total revenue from exchange transactions		**256 137 097**	**256 955 082**
Revenue from non-exchange transactions			
Other revenue	19	908 074	1 023 524
Actuarial gains recognised - employee benefits	15&43	6 470 442	2 902 225
Actuarial gains recognised - roads receivable	15&43	-	1 267 886
Government grants & subsidies	20	96 845 798	93 566 169
Gain on bad debt provision	5	-	18 991
Gain on disposal of assets	8	42 338	-
Total revenue from non-exchange transactions		**104 266 652**	**98 778 795**
Total revenue		**360 403 749**	**355 733 877**
Expenditure			
Employee related costs	21	(176 125 850)	(164 790 940)
Remuneration of councillors	22	(6 139 696)	(5 942 246)
Depreciation and amortisation	7&8&9	(8 754 952)	(11 760 378)
Finance costs	23	(3 663 215)	(5 474 312)
Materials and supplies	47	(40 468 471)	(37 259 483)
Allowance for impairment	45	(226 942)	(151 197)
Bulk purchases	24	(8 351 000)	(7 119 651)
Transfers and subsidies	49	(2 233 895)	(1 567 071)
General expenses	25	(92 557 876)	(90 534 985)
Total expenditure		**(338 521 897)**	**(324 600 263)**
Actuarial loss on employee benefits	16	-	(176 149)
Loss on the disposal of assets and liabilities	8	-	(230 491)
Actuarial loss on road receivable	15	(4 657 390)	-
(Deficit) surplus for the year		**17 224 462**	**30 726 974**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Restated* Balance at 01 July 2017	**280 370 488**	**280 370 488**
Changes in net assets		
Correction of error (Refer to note 26)	(13 379 601)	(13 379 601)
(Deficit) surplus for the year	30 726 974	17 347 373
Restated* Balance at 01 July 2018	**297 717 861**	**297 717 861**
Changes in net assets		
Correction of error (Refer to note 26)	37 202	37 202
(Deficit) Surplus for the year	17 224 462	17 224 462
Balance at 30 June 2019	**314 979 525**	**314 979 525**

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated
Cash flows from operating activities			
Receipts			
Cash receipts from rate payers, government and other		195 544 776	236 242 805
Road services		123 859 995	130 665 935
Interest income		27 904 480	21 753 463
		347 309 251	388 662 203
Payments			
Employee costs		(176 736 593)	(169 072 548)
Suppliers		(107 805 203)	(153 693 320)
Finance costs		(3 663 215)	(5 474 312)
		(288 205 011)	(328 240 180)
Net cash flows from operating activities	27	**59 104 240**	**60 422 023**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(9 420 650)	(8 095 890)
Proceeds from sale of property, plant and equipment	8	200 713	61 170
Net cash flows from investing activities		**(9 219 937)**	**(8 034 720)**
Cash flows from financing activities			
Movement in long-term liabilities	14	(13 079 773)	(17 013 227)
Net increase/(decrease) in cash and cash equivalents		**36 804 530**	**35 374 076**
Cash and cash equivalents at the beginning of the year		269 808 077	234 434 001
Cash and cash equivalents at the end of the year	6	**306 612 607**	**269 808 077**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual 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 56 of 2003).

These annual 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.

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. All financial information has been rounded to the nearest Rand.

1.2 Going concern assumption

These annual 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 Transfer of functions between entities not under common control

Definitions

An acquiree is the municipality and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the municipality that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

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

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 function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

1.3 Transfer of functions between entities not under common control (continued)

Non-controlling interest is the interest in the net assets of a controlled municipality not attributable, directly or indirectly, to a controlling municipality.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Identifying the acquirer

For each transfer of functions between entities not under common control, one of the combining entities is identified as the acquirer.

The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement.

Determining the acquirer includes a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the acquisition date

The acquirer identifies the acquisition date, which is the date on which it obtains control of the acquiree.

All relevant facts and circumstances are considered in identifying the transfer date.

Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

Recognition principle

As of the acquisition date, the municipality as acquirer recognises, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.

Recognition conditions:

To qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

1.3 Transfer of functions between entities not under common control (continued)

In addition, to qualify for recognition as part of applying the acquisition method, the identifiable assets acquired and liabilities assumed must be part of what the municipality as acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

Operating leases:

The municipality as acquirer recognises no assets or liabilities related to an operating lease in which the acquiree is the lessee.

The municipality as acquirer determines whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The municipality as acquirer recognises an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants‘ willingness to pay a price for the lease even if it is at market terms.

Intangible assets:

The municipality as acquirer separately recognises the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion.

Classifying or designating identifiable assets acquired and liabilities assumed in a transfer of functions:

At the acquisition date, the municipality as acquirer classifies or designates the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The municipality as acquirer makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

Measurement principle

The municipality as acquirer measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

Non-controlling interest in an acquiree:

For each transfer of functions, the municipality as acquirer measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity‘s net assets in the event of liquidation at either:

- fair value; or
- the present ownership instruments‘ proportionate share in the recognised amounts of the acquiree‘s identifiable net assets.

Assets with uncertain cash flows (valuation allowances):

The municipality as acquirer does not recognise a separate valuation allowance as of the acquisition date for assets acquired in a transfer of functions that are measured at their acquisition-date fair values because the effects of uncertainty about future cash flows are included in the fair value measure.

Assets subject to operating leases in which the acquiree is the lessor:

In measuring the acquisition-date fair value of an asset such as a building or a patent that is subject to an operating lease in which the acquiree is the lessor, the municipality as acquirer takes into account the terms of the lease.

Exceptions to the recognition principles

Contingent liabilities:

The requirements in the Standard of GRAP on Employee benefits, Contingent assets and Contingent liabilities do not apply in determining which contingent liabilities to recognise as of the acquisition date. Instead, the municipality as acquirer recognises as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

1.3 Transfer of functions between entities not under common control (continued)

Exceptions to both the recognition and measurement principles

Employee benefits:

The municipality as acquirer recognises and measures a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

Indemnification assets:

The seller in a transfer of functions may contractually indemnify the municipality as acquirer for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability. The municipality as acquirer recognises an indemnification asset at the same time that it recognises the indemnified item measured on the same basis as the indemnified item, subject to the need for a valuation allowance for uncollectible amounts. Therefore, if the indemnification relates to an asset or a liability that is recognised at the acquisition date and measured at its acquisition-date fair value, the municipality as acquirer recognises the indemnification asset at the acquisition date measured at its acquisition-date fair value. For an indemnification asset measured at fair value, the effects of uncertainty about future cash flows because of collectability considerations are included in the fair value measure and a separate valuation allowance is not necessary.

Exceptions to the measurement principle

Reacquired rights:

The municipality as acquirer measures the value of a reacquired right recognised as an intangible asset on the basis of the remaining contractual term of the related contract or other binding arrangement regardless of whether market participants would consider potential renewals of the contract or other binding arrangement in determining its fair value.

Assets held for sale:

The municipality as acquirer measures an acquired non-current asset (or disposal group) that is classified as held for sale at the acquisition date in accordance with the Standard of GRAP on Non-current assets held for sale and Discontinued operations at fair value less costs to sell.

Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:
(a) the aggregate of:
(i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
(ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
(iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.
(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

Consideration transferred

The consideration transferred in a transfer of functions is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the municipality as acquirer, the liabilities incurred by the municipality as acquirer to former owners of the acquiree and the residual interests issued by the entity as acquirer.

Contingent consideration:

The consideration the municipality as acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The municipality as acquirer recognises the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree.

1.3 Transfer of functions between entities not under common control (continued)

The municipality as acquirer classifies an obligation to pay contingent consideration as a liability or as net assets on the basis of the definitions of a residual interest and a financial liability in the Standard of GRAP on Financial instruments, or other applicable Standard of GRAP. The municipality as acquirer classifies as an asset a right to the return of previously transferred consideration if specified conditions are met.

A transfer of functions achieved in stages

A municipality as acquirer sometimes obtains control of an acquiree in which it held a residual interest immediately before the acquisition date.

In a transfer of functions achieved in stages, the municipality as acquirer remeasures its previously held residual interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss, if any, in surplus or deficit. In prior reporting periods, the municipality as acquirer may have recognised changes in the value of its residual interest in the acquiree in surplus or deficit. If so, the amount that was recognised in surplus or deficit is recognised on the same basis as would be required if the municipality as acquirer had disposed directly of the previously held residual interest.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality as acquirer reports in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality as acquirer retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

During the measurement period, the municipality as acquirer also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the municipality as acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the acquisition date.

Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Effective settlement of a pre-existing relationship between the municipality as acquirer and acquiree in a transfer of functions

A pre-existing relationship between the municipality as acquirer and acquiree may be contractual or non-contractual.

If the transfer of functions in effect settles a pre-existing relationship, the municipality as acquirer recognises a gain or loss, measured as follows:
(a) for a pre-existing non-contractual relationship, fair value.
(b) for a pre-existing contractual relationship, the lesser of (i) and (ii):
(i) the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality as acquirer when compared with terms for current market transactions for the same or similar items.
(ii) the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.
If (ii) is less than (i), the difference is included as part of the transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality as acquirer had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

1.3 Transfer of functions between entities not under common control (continued)

A pre-existing relationship may be a contract that the municipality as acquirer recognises as a reacquired right. If the binding arrangement includes terms that are favourable or unfavourable when compared with pricing for current market transactions for the same or similar items, the municipality as acquirer recognises, separately from the transfer of functions, a gain or loss for the effective settlement of the contract.

Acquisition-related costs:

Acquisition-related costs are costs the municipality as acquirer incurs to effect a transfer of functions. Those costs include advisory, legal, accounting, valuation and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities (if applicable). The municipality as acquirer accounts for acquisition-related costs as expenses in the periods in which the costs are incurred and the services are received, with one exception. The costs to issue debt or equity securities (if applicable) are recognised in accordance with the Standard of GRAP on Financial instruments.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

Reacquired rights

A reacquired right recognised as an intangible asset is amortised over the remaining contractual period of the contract in which the right was granted. A municipality as acquirer that subsequently sells a reacquired right to a third party includes the carrying amount of the intangible asset in determining the gain or loss on the sale.

Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the municipality as acquirer measures a contingent liability recognised in a transfer of functions at the higher of:
(a) the amount that would be recognised in accordance with the Standard of GRAP on Employee benefits, Contingent liabilities and Contingent assets; and
(b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from exchange transactions.

Indemnification assets

At the end of each subsequent reporting period, the municipality as acquirer measures an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management‘s assessment of the collectability of the indemnification asset. The municipality as acquirer derecognises the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

Contingent consideration

Some changes in the fair value of contingent consideration that the municipality as acquirer recognises after the acquisition date may be the result of additional information that the municipality as acquirer obtained after that date about facts and circumstances that existed at the acquisition date. However, changes resulting from events after the acquisition date, such as meeting a performance target, or reaching a milestone on a research and development project, are not measurement period adjustments. The municipality as acquirer accounts for changes in the fair value of contingent consideration that are not measurement period adjustments as follows:
(a) Contingent consideration classified as net assets shall not be remeasured and its subsequent settlement is accounted for within net assets.
(b) Contingent consideration classified as an asset or a liability that:
(i) is a financial instrument and is within the scope of the Standard of GRAP on Financial instruments is measured at fair value, with any resulting gain or loss recognised in surplus or deficit in accordance with that Standard of GRAP.
(ii) is not within the scope of the Standard of GRAP on Financial instruments is accounted for in accordance with the Standard of GRAP on Employee benefits, Contingent liabilities and Contingent assets or other Standards of GRAP as appropriate.

1.4 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Identifying the acquirer and transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which municipality to the transaction or event is the transferor(s) and which municipality is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which municipality is the acquirer and which municipality is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

Determining the transfer date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

1.4 Transfer of functions between entities under common control (continued)

Assets acquired [transferred] and liabilities assumed [relinquished]

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement (if applicable), rather than the result of separate transactions.

Determining what is part of the transfer of functions transaction

Where the municipality and the transferor have a pre-existing relationship before or when negotiations for a transfer of functions began, or where a binding arrangement is entered into during the negotiations that are separate from a transfer of functions, any amounts that are not part of what were transferred in a transfer of functions are identified. This policy only applies to the consideration transferred and the assets acquired and liabilities assumed in a transfer of functions as governed by the terms and conditions of the binding arrangement.

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:
- the reasons for the transaction
- the timing of the transaction

Effective settlement of a pre-existing relationship between the entity (as acquirer) and transferor in a transfer of functions

A pre-existing relationship between the municipality (as acquirer) and the transferor may be contractual or non-contractual. If a transfer of functions in effect settles a pre-existing relationship, the entity (as acquirer) recognises a gain or loss, measured as follows:
- for a pre-existing non-contractual relationship, fair value.
- for a pre-existing contractual relationship, the lesser of the following:
  - the amount by which the binding arrangement is favourable or unfavourable from the perspective of the municipality (as acquirer) when compared with terms for current market transactions for the same or similar items.
  - the amount of any stated settlement provisions in the binding arrangement available to the counterparty to whom the contract is unfavourable.

If the latter is less, the difference is included as part of a transfer of functions accounting. The amount of gain or loss recognised may depend in part on whether the municipality (as acquirer) had previously recognised a related asset or liability, and the reported gain or loss therefore may differ from the amount calculated by applying the above requirements.

Other criteria for the entity (as acquirer)

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the municipality expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor‘s employees, is not accounted for as part of the liabilities at the transfer date. The municipality does not recognise those costs as part of a transfer of functions. Instead, the municipality recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

1.4 Transfer of functions between entities under common control (continued)

Accounting by the entity as acquirer

Initial recognition and measurement

As of the transfer date, the municipality recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the municipality can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the municipality de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The municipality considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Acquisition-related costs

Acquisition-related costs are costs that the municipality incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

Subsequent measurement

The municipality subsequently measure any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

1.4 Transfer of functions between entities under common control (continued)

At the transfer date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions that exist at the transfer date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the transfer date):
- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its annual financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.5 Mergers

Definitions

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Combined municipality is a new reporting entity formed from the combination of two or more entities.

Combining entities are the entities that are combined for the mutual sharing of risks and benefits in a merger.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A merger is the establishment of a new combined municipality in which none of the former entities obtain control over any other and no acquirer can be identified.

Merger date is the date on which entities are combined for the mutual sharing of risks and benefits and when the assets and liabilities are transferred to the combined municipality.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A merger is the establishment of a new combined municipality in which none of the former entities obtains control over any other and no acquirer can be identified. As no acquirer can be identified, a merger does not result in an municipality having or obtaining control over any of the entities that are involved in the transaction or event, as the combining entities are not controlled entities of each other, either before or after the merger.

Identifying the combined entity and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

1.5 Mergers (continued)

Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

Other criteria for the entity (as the combined entity)

The assets and liabilities that quality for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the merger date.

Costs that the entity expects but which the municipality is not obliged to incur in the future to effect its plan to exit an activity of the combining entities or to terminate the employment of, or relocate the combining entities' employees, is not be accounted for as part of the liabilities at the merger date. The entity does not recognise those costs as part of a merger. Instead, the municipality recognises these costs in its annual financial statements after the merger has occurred, in accordance with the applicable Standards of GRAP.

1.5 Mergers (continued)

Accounting by the entity as the combined entity

Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

Measurement period

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the merger date.

The municipality considers all relevant factors in determining whether information obtained after the merger date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the merger date. Relevant factors include the date when additional information is obtained and whether the municipality can identify a reason for a change to provisional amounts.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the merger had been completed at the merger date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a merger only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

Expenditure incurred in relation to the merger

Expenditures incurred in relation to the merger are costs that the entity incurs to effect the merger. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, costs to furnish information to owners of the combining entities, and salaries and other expenses related to services of employees involved in achieving the merger. It also includes costs or losses incurred in combining the assets and liabilities of the combining entities. The municipality accounts for such expenditure as expenses in the period in which the costs are incurred.

Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

At the merger date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, the operating or accounting policies and other relevant conditions as these exist at the merger date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and

1.5 Mergers (continued)

- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

The annual financial statements of the municipality are prepared using uniform accounting policies for similar transactions and other events or similar circumstances.

Accounting by entity as the combining entity

Assets transferred and liabilities de-recognised

As of the merger date, the municipality as the combining entity transfer and de-recognise from its annual financial statements, all the assets and liabilities de-recognised at their carrying amounts.

Until the merger date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The difference between the carrying amounts of the assets transferred and the liabilities de-recognised are recognised in accumulated surplus or deficit.

1.6 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.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	**Useful life**
Property - beach development	25 to 50 years
Land	Infinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

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.

1.7 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 period.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

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. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance and are expensed. The enhancement of an existing assets so that its use is expanded or the further development of an asset so that its original life is extended are examples of subsequent expenditure which should be capitalised.

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.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as 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 under construction - This cost include all expenditure related directly to specific projects still in progress at period end. Incomplete construction work is stated at historical cost.

1.7 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Buildings	Straight line	25 to 30
Other Structures (Infrastructure)	Straight line	0 to 100
Other	Straight line	2 to 30

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 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.

1.8 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.

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

1.8 Intangible assets (continued)

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	Depreciation method	Average useful life
Intangible assets	Straight line	0 - 20 years

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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.9 Financial instruments

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

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.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

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.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an municipality’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.

1.9 Financial instruments (continued)

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

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 municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

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 municipality 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.

1.9 Financial instruments (continued)

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

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 municipality 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.

1.9 Financial instruments (continued)

Classification

The municipality 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
Other trade receivables from non-exchange transactions	Financial asset measured at fair value
Cash and cash equivalents	Financial asset measured at fair value
Trade receivables from exchange transactions	Financial asset measured at fair value

The municipality 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
Trade and other payables from exchange transactions	Financial liability measured at fair value
Unspent conditional grants and receipts	Financial liability measured at fair value
Long-term liabilities	Financial liability measured at amortised cost

Trade and other payables are initially measured at fair value plus transaction costs that are directly attributed to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Trade and other receivables are initially recognised at fair value plus transaction cost that directly attributed to the acquisition and subsequently stated at amortised cost, less provision for impairment. This provision is based on a review of all outstanding amounts at year end and is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms. The amount of the provision is the effective interest rate. Bad debts are written off during the year in which they are identified. Subsequent recoveries of amounts previously written off are credited against the relevant revenue stream in the statement of financial performance.

Long-term financial liabilities are classified as financial liabilities that are measured at amortised cost.

Cash and cash equivalents includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value. For the purpose of the cash flow statement, cash and cash equivalents comprises of cash on hand, deposits held on call with banks, investments in financial instruments and net bank overdrafts. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality 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.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The municipality 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 municipality 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.

Short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through establised practices or legislation.

Reclassification

The municipality 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.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

1.9 Financial instruments (continued)

Financial assets measured at amortised cost:

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.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

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 municipality directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality 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 municipality does not offset the transferred asset and the associated liability.

1.10 Value added tax

The municipality accounts for Value Added Tax (VAT) on a cash basis. The municipality is liable to account for VAT at the standard rate (15%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero - rated in terms of section 11, exempted in terms of section 12 of the VAT Act or out of scope for VAT purposes. The timing of payments to / from the South African Revenue Service is on the twenty fifth day of each of the twelve months of the financial year.

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 entity assesses the classification of each element separately.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality’s net investment in the finance lease.

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 8.5%..

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 rate of 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. The difference between the amounts recognised as revenue and the contractual receipts are recognised as an operating lease asset or liability.

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 weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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 inventory represents water housed in dams within the municipal area and is measured at the lower of cost, which is deemed to be fair value, and net realisable value. In the absence of a market that trades in water outside of local government the fair value utilised to quantify water inventory is based on the unit reference value. The unit reference value is determined by a formula that is utilised in the engineering department to calculate the development cost of new water resources.

The water levels in the dams are based on cubic meter capacity taking into account the capacity of the dam, based on land surveying reports and the curve of the dam. Readings of water levels are taken at year-end, which is quantified at the above fair value. Water and purified effluent are measured at the lower of purified cost and net realisable value insofar as it is stored and controlled in reservoirs at year-end.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset that generates a 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.

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 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.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:
- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.14 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

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.

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.

1.14 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's 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.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

Accounting Policies

1.15 Employee benefits

Employee benefits are all forms of consideration given by an municipality in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting municipality, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting municipality, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting municipality to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the municipality has indicated to other parties that it will accept certain responsibilities and as a result, the municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.15 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

1.15 Employee benefits (continued)

The municipality determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan’s benefit formula. However, if an employee’s service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

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 [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs. An actuarial valuation was performed and a liability was determined as a result of the valuation. The actuarial valuation will be revised on a annual basis.

Other post retirement obligations

The municipality provides post-retirement health care benefits, upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.15 Employee benefits (continued)

Termination benefits

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.16 Provisions

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 surplus (deficit).

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.

1.16 Provisions (continued)

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.17 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.

1.17 Revenue from exchange transactions (continued)

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 distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption based on the consumption history, are made on a monthly basis when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is raised based on the average monthly consumption. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters are read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approval tariff to each property receiving services. Tariffs are determined per category of property and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

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 sewerage and sanitation services are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council. Revenue is recognised on a monthly basis.

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.

Rental income from operating leases is recognised on a straight line basis over the lease term.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant services is rendered by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Commission for agency services is recognised as per the service level agreement with the municipality. The percentage calculated during a financial year are based on the total funds received from the agent.

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

1.18 Revenue from non-exchange transactions (continued)

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Revenue from rates, including collection charges and penalty interest, is recognised on a monthly basis when the taxes are levied as this is regarded to be the date when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and there has been compliance with the relevant legal requirements.

Revenue from donations is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably and any restrictions associated with the donation have been met.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legal procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality, the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the recognition criteria has been met, as assets in the reporting period in which they are received or receivable.

Revenue from conditional grants is recognised when it is probable that the economic benefits or service potential 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.

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood these discounts or reductions being taken up by debtors.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality’s operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

1.19 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.21 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11 (3) of the Municipal Finance Management Act (Act No 56 of 2003), and includes:

- overspending of the total amount appropriated in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;

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.

1.22 Fruitless and wasteful expenditure

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

1.22 Fruitless and wasteful expenditure (continued)

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.

1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial 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.

1.24 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessment of users made on the basis of the annual financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is defined as 1% of the total operating expenditure. The materiality is from management's perspective and does not correlate with the auditor's materiality.

1.25 Contingencies

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability :

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because;
- it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- the amount of the obligation cannot be measured with sufficient reliability.

1.26 Capital 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 capital commitments, which are disclosed in note 33.

Commitments for which disclosure is necessary to achieve a fair presentation are disclosed if both the following criteria are met:
- contracts are non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- contracts related to something other than the routine, steady, state business of the municipality - therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Budget information

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

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

The annual 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. Explanations of significant variances greater than ten percent or five hundred thousand Rand versus the budget are given in appendix A.

1.28 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.

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.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Service concession arrangements

Operator

The District Municipality as an operator in the service concession arrangement recognises revenue and expenditure in relation to the service concession arrangement in accordance with its accounting policies on revenue and expenditure recognition and with reference to the contract with the grantor.

In terms of the service concession arrangement the following types of revenue are recognised:
- Recognised and measurement of the arrangement consideration.
- Construction and upgrade services.
- Operating services.

The District does not recognise the assets relating to the service concession arrangement as these are recognised in the accounting records of the grantor.

The District Municipality shall recognise a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services.

The District Municipality shall recognise an intangible asset to the extent that it receives a right (a licence) to charge users of the public service.

1.30 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments relating to income and expenditure, are debited / credited against accumulated surplus when retrospective adjustments are made.

1.31 Critical accounting estimates and judgements

The provisions represents management's best estimate of the municipality's exposure. The probability that an outflow of economic resources will be required to settle the obligation must be assessed and a reliable estimate must be made of the amount of the obligation. Actual results may, however, differ from these estimates.

Management has made estimates of the selling price and direct cost to sell of certain inventory items to calculate the allowance to write down to the lower of cost or net realisable value. The write down is zero.

The present value of the post retirement obligation depends on a number of factors that are determined on a actuarial basis using a number of assumptions, which include the discount rate. Any changes in these assumptions will impact in the carrying amount of post retirement obligation.

The estimation of useful lives of assets is based on management's judgement. Any material adjustments to the estimated remaining useful lives of items of property, plant and equipment will have an impact on the carrying value of these items.

Where impairment indicators exist, the determination of the recoverable amount of assets or cash generating units require management to make assumptions to determine the fair value less cost to sell. Key assumptions on which management has based its determination of fair values less costs to sell include projected revenues, earnings multiple, capital expenditure and market share. The judgements, assumptions and methodologies used can have a material impact on the fair value and ultimately the amount of the impairment.

Where impairment indicators exist, the determination of the recoverable service amount of a non-cash generating asset requires management to make assumptions to determine the fair value less cost to sell and the value in use based on the depreciated replacement cost model. Key assumptions include the current replacement cost of non-cash generating assets and in certain instances an assumption about the commissioning date which determines the depreciated replacement cost of the non-cash generating assets.

An estimate for the impairment of receivables is made when collection of the full amount is no longer probable. The provision for doubtful debt is calculated on trade receivables only, i.e. service debtors, housing rentals and other debtors. The total impairment provision of the municipality is calculated per risk category.

1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the amendment is not yet set by the standard setters.

The municipality expects to adopt the amendment for the first time when the standard setters sets the effective date for the amendment.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Guideline on Accounting for Landfill Sites

The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The impact of this standard is currently being assessed.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

The municipality is unable to reliably estimate the impact of the standard on the annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB’s Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality has adopted the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of the amendment is not material.

GRAP 34: Separate Financial Statements

2. New standards and interpretations (continued)

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

2. New standards and interpretations (continued)

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government’s housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

2. New standards and interpretations (continued)

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that 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.

The standard elaborates on the definitions and identification of:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019..

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of this standard is currently being assessed.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for the years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of this interpretation is currently being assessed.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation of the Standards of GRAP applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation of the Standards of GRAP, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property (GRAP 16), Property, Plant and Equipment (GRAP 17) or Heritage Assets. As this Interpretation of the Standards of GRAP does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation of the Standards of GRAP.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for the years beginning on or after 01 April 2019

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

3. Inventories

Consumable Inventory	4 867 727	4 701 925
Water Stock	2 816 387	2 328 528
	7 684 114	**7 030 453**

Inventory pledged as security

No inventory was pledged as security.

No inventory was written-down during the period.

The amount of inventory recognised as an expense is R4 197 442 (2018 : R5 371 814).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Other receivables from exchange transactions

Water : Sales	4 115 235	3 164 983
Operating Leases - refer to note 36	261 948	252 957
Other	461 317	610 555
Road receivable	14 449 020	-
Advance payment - Salga levies paid for 2019/20	1 811 796	-
Net Balance (Allowance for Impairment)	(1 270)	(165 630)
	21 098 046	**3 862 865**

Reconcilliation of allowance for impairment

Other receivables from non-exchange transactions	(1 270)	(165 630)

5. Trade receivables from exchange transactions

Gross balances

Electricity	112 630	90 078
Water	11 678 466	8 152 446
Sewerage	19 369	16 145
Other	3 413	-
Housing rental	118 385	123 908
	11 932 263	**8 382 577**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Trade receivables from exchange transactions (continued)

Less : Allowance for impairment	(211 545)	(4 586)

Net balance		
Electricity	112 630	90 078
Water	11 678 465	8 152 446
Sewerage	19 369	16 145
Other	3 413	-
Housing rental	118 385	123 908
Net balance (Allowance for impairment)	(211 545)	(4 586)
	11 720 717	**8 377 991**

Reconciliation of allowance for impairment (including other receivables from exchange transactions)		
Balance at the beginning of the year	(170 216)	(37 568)
Contribution to provision	(226 942)	(151 196)
Debt impairment written off against provision	184 343	18 548
	(212 815)	**(170 216)**

Reconciliation of allowance for impairment between trade and other receivables		
Trade receivables from exchange transactions	(211 545)	(4 586)
Other receivables from exchange transactions	(1 270)	(165 630)
	(212 815)	**(170 216)**

Age analysis per service (net of allowance for impairment) Service Debtors (Water, Electricity, Sewerage and Other)		
Current (0-30 days)	11 473 382	7 976 366
30-60 days	284 926	241 444
61-90 days	53 752	29 488
91-120 days	1 119	3 072
121-365 days	699	8 299
	11 813 878	**8 258 669**

Housing Rental		
Current (0-30 days)	82 509	82 256
30-60 days	24 577	26 342
61-90 days	10 349	15 310
91-120 days	949	-
	118 384	**123 908**

Summary of debtors age analysis (Trade receivables)		
Current (0-30 days)	11 555 892	8 058 622
31-60 days	309 503	267 786
61-90 days	64 101	44 798
91-120 days	2 067	3 072
121-365 days	699	8 299
>365 days	-	-
Less : Allowance for impairment	(211 545)	(4 586)
	11 720 717	**8 377 991**

Figures in Rand	2019	2018

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash book balances	306 612 157	269 807 627
Floats	450	450
Total cash and cash equivalents	**306 612 607**	**269 808 077**

The municipality had the following bank accounts

Account number / description	Bank statement balances 30 June 2019	30 June 2018	30 June 2017	Cash book balances 30 June 2019	30 June 2018	30 June 2017
First National Bank - Current Account	249 103 839	251 008 415	224 719 532	249 117 997	251 008 414	224 719 532
First National Bank - Current Account	57 497 679	18 800 415	9 763 612	57 494 160	18 799 213	9 714 019
Floats	450	450	450	450	450	450
Total	**306 601 968**	**269 809 280**	**234 483 594**	**306 612 607**	**269 808 077**	**234 434 001**

Average rate of return on short-term investments	7.78%	8.02%

Cash and cash equivalents includes cash-on-hand and cash in bank. No cash and cash equivalents were pledge as security for financial liabilities or any restriction were placed on any cash and cash equivalents. Call deposits are investments with a maturity period between one to six months. The fair value of the cash and cash equivalents was determined after considering the terms and conditions of the agreement entered into between the municipality and the financial institution. Management is of the opinion that the cash and cash equivalents recorded at amortised cost in the financial statements approximate their fair values.

7. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 508 050	(1 002 188)	4 505 862	5 508 050	(968 978)	4 539 072

Pledged as security

No properties was pledges as security in the current and prior financial period nor restrictions.

Fair value of investment property - Buildings	13 677 360	13 677 360
Fair value of investment property - Land	25 500 000	25 500 000

The municipality owns a beach development (Ganzekraal). The property is 2332.6578 hectares and the municipality receives rental income (camping fees). 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.Please refer to appendix B of Property, plant and equipment, Intangible and Investment property for detailed disclosures.

Resort income from investment property was R4 252 735 (2018:R3 643 288) as disclosed in the Statement of Financial Performance. Please refer to note 46 for the investment property repairs and maintenance disclosure.

8. 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	27 781 447	-	27 781 447	26 760 390	-	26 760 390
Buildings	50 564 072	(25 221 658)	25 342 414	49 854 652	(22 805 507)	27 049 145
Infrastucture	1 760 616	(243 781)	1 516 835	1 760 616	(147 932)	1 612 684
Other	73 153 823	(49 523 719)	23 630 104	67 726 994	(46 431 012)	21 295 982
Total	**153 259 958**	**(74 989 158)**	**78 270 800**	**146 102 652**	**(69 384 451)**	**76 718 201**

Pledged as security

No properties were pledged as security in the current and prior financial period.

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. Please refer to appendix B of Property, plant and equipment, Intangibles and Investment property for detailed disclosure. The amount disclosed as work in process (WIP) relates to the Coastal Management Plan and the Spatial Development Plan. These plans was not approved by Council at the reporting date.

9. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets	11 373 779	(8 651 937)	2 721 842	15 506 026	(11 776 546)	3 729 480

Pledged as security

No assets have been pledged as security in the current and prior financial period.

Other information

The municipality acquired intangible assets with finite useful lives of five years. The straight-line method of amortisation will be used to allocate the depreciable amount of an asset on a systematic basis over its useful life. Please refer to appendix B of Property, plant and equipment, Intangibles and Investment property for detailed disclosure.

10. Trade payables from exchange transactions

	2019	2018
Sundry creditors	1 786 200	1 758 237
Payments received in advance - contract in process	555 691	568 531
Accrued leave pay	9 826 626	8 941 973
Retentions	97 220	97 220
Trade payables	6 513 500	2 263 065
Operating lease payables - refer to note 36	19 111	13 812
Roads payable	-	2 144 044
	18 798 348	**15 786 882**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

11. VAT payable

VAT 201 return as at 30 June	314 074	75 879
VAT Output payable from debtors	3 187 348	2 816 473
	3 501 422	**2 892 352**

VAT is payable on the payment basis. Only once payment are received from debtors VAT is paid to SARS.

12. Unspent conditional grants and receipts

See note 20 for detailed reconciliation of grants.

These amounts are invested and ring-fenced within the municipality's cash and cash equivalents until utilised.

Unspent conditional grants and receipts comprises of :		
Western Cape Financial Management Grant (IDP & Internship)	-	370 342
Mayor's Charity Fund	51 764	-
Rural Roads Management	317 182	346 257
WOSA - Western Cape	800 000	-
Financial Management Spatial Development	122 640	600 000
Capacity Building Health Services	-	101 961
	1 291 586	**1 418 560**

13. Employee Benefits

Reconciliation of short-term portion of employee benefits - 2019	Opening Balance	Additions	Utilised during the year	Total
Short-term portion of medical aid benefits	3 289 453	3 626 081	(3 289 453)	3 626 081
Short-term portion of long service awards	944 648	1 088 385	(944 648)	1 088 385
Short-term portion of performance bonus	252 980	600 402	(252 980)	600 402
Short-term portion of bonus	4 547 297	4 788 885	(4 547 297)	4 788 885
	9 034 378	**10 103 753**	**(9 034 378)**	**10 103 753**

Reconciliation of short-term portion of employee benefits - 2018	Opening Balance	Additions	Utilised during the year	Total
Short-term portion of medical aid benefits	3 435 329	3 289 453	(3 435 329)	3 289 453
Short-term portion of long service awards	946 643	845 800	(847 795)	944 648
Short-term portion of performance bonus	126 934	252 980	(126 934)	252 980
Short-term portion of bonus	4 216 185	4 606 033	(4 274 921)	4 547 297
	8 725 091	**8 994 266**	**(8 684 979)**	**9 034 378**

The performance bonus represents management's best estimate of the municipality's liability under performance contracts of Sec 57 employees.

The bonus represents management's best estimate of the municipality's liability to pay employees thirteenth cheque.

Refer to disclosure note 16 (long service awards) and note 15 (medical aid benefits) for detail disclosure.

14. Long-term liabilities

Figures in Rand	2019	2018
Local registered stock loans	27 609 922	40 884 327
Less : Current portion transferred to current liabilities	(14 728 192)	(13 731 176)
	12 881 730	**27 153 151**

The municipality has a unsecured external loan at the Development Bank of South Africa at a fixed rate of 8.60500%. The redeemable date of the loan is 31 October 2022. The loan is redeemed on a half-yearly basis. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Services Department.

The municipality has a unsecured external loan at the Development Bank of South Africa at a fixed rate of 6.75% and 13.38%. The redeemable date of the loan is 30 June 2020. The loan is redeemed on a half-yearly basis. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Services Department.

The municipality has a unsecured external loan at ABSA of South Africa at a fixed rate of 10.87%. The redeemable date of the loan is 31 January 2021. The loan is redeemed on a half-yearly basis as at 31 January and 31 July. The amount borrowed in terms of the loan was to provide finance for capital projects within the Water Services Department.

Refer to appendix E (1) for more detail on long term liabilities. The liabilities relates to the water service concession arrangement.

15. Medical aid benefits

Defined benefit plan

The most recent actuarial valuation of the present value of the obligation were carried out at 30 June 2019 by One Pangaea Expertise & Solutions.

Figures in Rand	2019	2018
Defined benefit plan	69 700 828	68 430 357
Change in liability		
Opening balance	65 140 904	62 476 909
Service costs	2 785 669	2 158 660
Interest cost	7 266 276	6 063 618
Recognised actuarial (gain) loss	(5 776 014)	(2 902 225)
Benefits paid	(3 005 460)	(2 801 934)
Current portion transferred to current liabilities	(336 628)	145 876
	66 074 747	**65 140 904**
Net expenses recognised in the statement of financial performance		
Current service cost	2 785 669	2 158 660
Interest cost	7 266 276	6 063 618
Actuarial (gain) loss	(5 776 014)	(2 902 225)
Total included in employee related costs	**4 275 931**	**5 320 053**
Changes in the short-term portion - refer to note 13		
Opening balance	3 289 453	3 435 329
Contributions / (refund) by / (to) employer	336 628	(145 876)
	3 626 081	**3 289 453**

Figures in Rand	2019	2018

15. Medical aid benefits (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,35 %	10,88 %
Expected rate of return on assets	6,25 %	7,13 %
Expected rate of return on reimbursement rights	7,75 %	8,63 %
Actual return on reimbursement rights	2,41 %	2,07 %

It is the relative levels of the discount rate and health care cost inflation to one another that are important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

The methodology of setting the financial assumptions has been updated to be more duration specific. At the previous date, 30 June 2018 the duration of liabilities was 13.38 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 10.35% per annum, and the yield on the inflation linked bonds of a similar term was about 3.39% per annum, implying an underlying expectation of inflation of 6.25% per annum ([1+10.35% - 0.5%] / [1+3.39%] - 1).

A healthcare cost inflation rate of 7.75% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.41% per annum ([1+10.35%] / [1+7.75%] - 1).

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

	Active employees	**Pensioners**
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	63	-
Employment age used for past service period	Actual service ages	Actual service ages
Age difference between spouses	5 years	Actual ages used
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA-90 (Normal)	PA (90)

15. Medical aid benefits (continued)

The withdrawal rates assumption used are as follows:

Age	Withdrawal rates (Male)	Withdrawal rates (Female)
20	16%	24%
25	12%	18%
30	10%	15%
35	8%	10%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
60+	-	-

Continuation Percentages

The assumption is that the continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

Employee benefit - roads receivable (Medical aid)

In terms of the memorandum of agreement between the Western Cape Provincial Government, Department of Public Works and Transport, and past experience hereon, funds will be made available to maintain the approved organogram of the roads division in the municipality. The future claim for roads staff for post employment medical aid has therefore been recognised as a long-term debtor.

Employee benefits - roads receivable (Medical aid)		
Opening balance	23 167 268	20 558 333
Current service cost	748 418	652 259
Interest cost	2 442 305	1 885 186
Expected benefits paid	(1 439 222)	(1 196 396)
Actuarial (loss) / gain	(4 657 390)	1 267 886
	20 261 379	**23 167 268**

Statement of Financial Position		
Employee benefits - roads receivable (current assets)	1 295 557	1 439 222
Employee benefits - roads receivable (non-current assets)	18 965 822	21 728 046
	20 261 379	**23 167 268**

Figures in Rand	2019	2018

16. Long-term portion of long service awards

Long service awards		
Provision of long service awards	8 827 745	8 948 814
Less : Transferred to current provision	(1 088 386)	(944 647)
Net long service awards liability	**7 739 359**	**8 004 167**

A long service award is granted to municipal employees after the completion of fixed periods of continuous service with the municipality. The provision represents an estimation of the awards to which employees in the service of the municipality at 30 June 2019 become entitled to in future, based on a actuarial valuation performed at that date.

An actuarial valuation of the present value of the obligation at 30 June 2019 was done by One Pangaea Expertise & Solutions.

The future service cost for ensuring year is established to be R642 892 whereas the interest-cost for the next year is estimated to be R697 475.

The principal assumption used for the purposes of the actuarial valuations were as follows :

- Discounted rate - 8.42%
- General salary inflation (long-term) - 5.58%
- Net effective discount rate - 2.69%
- Mortality - SA85-90
- Normal retirement age - 65

2019 - Details of employees eligible for long service awards are detailed below	Active Employees	Salaries Weighted Average Age (years)	Weighted Average Past Service (years)
All employees	494	42	10

2019 - Details of employees eligible for long service awards are detailed below	Active Employees	Salaries Weighted Average Age (years)	Weighted Average Past Service (years)	Total
All employees	494	42	10	546

The amount recognised in the Statement of Financial Position are as follows :		
Present value of fund obligations	8 827 745	8 948 814

The amount recognised in the Statement of Financial Performance are as follows :		
Current service costs	659 480	730 274
Interest costs	765 427	662 806
Actuarial (gain) / loss on the obligation	(694 428)	176 149
	730 479	**1 569 229**

The movement in the long service awards liability over the year is as follows :		
Balance at the beginning of the year	8 948 814	8 227 380
Current service costs	659 480	730 274
Interest costs	765 427	662 806
Benefits paid	(851 548)	(847 795)
Actuarial (gain) / loss on the obligation	(694 428)	176 149
	8 827 745	**8 948 814**

The average past services cost has increased by 1% due to the effect of an increase in the average salary and an increase in the average past service, being mostly offset by the effect of an increase in the net discount rate.

16. Long-term portion of long service awards (continued)

The total liability has decreased by R121 069 due to the above, combined with the fact that there are 13 less eligible employees than at the last valuation.

Changes in withdrawal rate - The effect of a 1% movement in the withdrawal rates will be as follow :

Employer's accrued liability	-1% Withdrawal rate	Valuation Assumption	+1% Withdrawal rate
Salary increase rate	8 256 990	8 827 745	9 461 241
Discount rate	9 449 815	8 827 745	8 276 046
	17 706 805	**17 655 490**	**17 737 287**

Employer's expense cost	-1% Withdrawal rate	Valuation Assumption	+1% Withdrawal rate
Salary increase rate	1 244 648	1 340 367	1 447 291
Discount rate	1 356 319	1 340 367	1 325 171
	2 600 967	**2 680 734**	**2 772 462**

17. Accumulated surplus

	2019	2018
Balance as at 1 July	297 717 861	280 370 488
Correction of error - Refer to note 26	37 202	(13 379 601)
(Deficit) Surplus for the year	17 224 462	30 726 974
	314 979 525	**297 717 861**

18. Service concession revenue

	2019	2018
Management fee	6 467 171	7 999 194
Sale of electricity	921 835	746 920
Sale of water	107 904 061	83 483 034
Surplus distribution	(35 158 231)	-
Sewerage and sanitation charges	159 882	141 976
	80 294 718	**92 371 124**

The management fee is recovered through the tariff in terms of the agreement.

The surplus distribution is due to the local municipalities. Refer to note 50.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Other revenue

The amount included in other revenue arising from non-exchanges of goods or services are as follows:		
Interest on debtors	50 730	96 203
Other income	830 777	527 542
Insurance refunds	26 567	399 779
	908 074	**1 023 524**

The amount included in other revenue arising from exchange transactions is as follows:		
Rent	2 187 291	2 184 905
Water services	570 371	447 302
Water service concession - extinguishment of debt (capital portion)	1 815 296	-
Distribution receivable - water service concession	-	7 043 651
Fire services (WCDM)	357 008	639 867
Fire services (Saldanha)	-	32 827
	4 929 966	**10 348 552**

20. Unspent conditional grants and subsidies

The following grants and subsidies were received and recognised :

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Unspent conditional grants and subsidies (continued)

Western Cape Financial Management Grant (Risk and MSCOA)	280 000	422 164
Local Government Graduate Internship Grant	205 322	81 566
Western Cape Financial Management Grant (IDP)	597 021	692 458
Western Cape Financial Management Grant (Internship)	-	168 769
RSC Levy Replacement Grant (Equitable Share)	72 197 000	70 061 000
Equitable Share	16 208 000	14 911 000
Finance Management / Spatial Development	477 360	-
Financial Management Grant	1 000 000	1 250 000
EPWP	1 047 000	1 100 000
Donations Mayor	-	222 818
Greenest Municipality Competition	-	75 275
Capacity Building Health Services	101 960	162 040
Western Cape Provincial Emergency Grant	450 000	-
Rural Roads Management	2 240 818	2 206 743
Working for Water	-	1 009 836
Fire Services Capacity Building Grant	1 483 000	1 450 000
Other Government Grants and Subsidies : Less VAT on administration charges	558 317	(247 500)
	96 845 798	**93 566 169**

20.1) Local Government Graduate Internship Grant

Balance unspent at the beginning of the year	133 322	92 888
Current year receipts	72 000	122 000
Current year interest	-	-
Conditions met - transferred to revenue	(205 322)	(81 566)
Conditions still to be met - transferred to liabilities	**-**	**133 322**

Strategic objective - Good governance and financial viability.

The purpose of the grant is to assist the graduate internship programme within the West Coast District.

20.2) Financial Management Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	1 000 000	1 250 000
Current year interest	-	-
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Good governance and financial viability

The purpose of the grant was to support the training of municipal officials in financial management, the appointment of interns and the acquisition, upgrade and maintenance of financial management systems.

20.3) Western Cape Financial Management Grant (Risk and MSCOA)

Balance unspent at the beginning of the year	-	142 164
Current year receipts	280 000	280 000
Current year interest	-	-
Conditions met - transferred to revenue	(280 000)	(422 164)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Good governance and financial viability.

The purpose of the grant is to provide shared risk management services within the West Coast District area.

Figures in Rand	2019	2018

20. Unspent conditional grants and subsidies (continued)

20.4) Donations Mayor

Balance unspent at the beginning of the year	-	10 617
Current year receipts	-	212 200
Current year interest	-	-
Conditions met - transferred to revenue	-	(222 817)
Conditions still to be met - transferred to liabilities	**-**	**-**

20.5) EPWP Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	1 047 000	1 100 000
Current year interest	-	-
Conditions met - transferred to revenue	(1 047 000)	(1 100 000)
Conditions still to be met - transferred to liabilties	**-**	**-**

Strategic objective - Environmental Integrity.

The purpose of the grant was for community safety, sustainable land-based livelihoods, development and maintenance of buildings, health, roads and stormwater system development and maintenance and other social sector projects.

20.6) Working for Water

Balance unspent at the beginning of the year	-	139 673
Current year receipts	-	870 163
Current year interest	-	-
Conditions met - transferred to revenue	-	(1 009 836)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Environmental Integrity.

The purpose of the grant was to clean-up water sensitive areas within the West Coast District.

20.7) Western Cape Financial Management Grant (IDP and Internship)

Balance unspent at the beginning of the year	237 020	858 247
Current year receipts	360 000	240 000
Current year interest	-	-
Conditions met - transferred to revenue	(597 020)	(861 227)
Conditions still to be met - transferred to liabilities	**-**	**237 020**

Strategic objective - Good governance and financial viability.

The purpose of the grant is to support the internship programme as well as strategic services within the West Coast District area.

20.8) Capacity Building Health Services

Balance unspent at the beginning of the year	101 960	-
Current year receipts	-	264 000
Current year interest	-	-
Conditions met - transferred to revenue	(101 960)	(162 040)
Conditions still to be met - transferred to liabilites	**-**	**101 960**

Strategic objective - Environmental Integrity.

The purpose of the grant is to build capacity of the health services officials within the West Coast District area.

Figures in Rand	2019	2018

20. Unspent conditional grants and subsidies (continued)

20.9) Rural Roads Management

Balance unspent at the beginning of the year	346 257	443 720
Current year receipts	2 558 000	2 553 000
Current year interest	-	-
Conditions met - transferred to revenue	(2 240 818)	(2 206 743)
Transfer to National Treasury	(346 257)	(443 720)
Conditions still to be met - transferred to liabilities	**317 182**	**346 257**

Strategic objective - Environmental Integrity.

The purpose of this grant is to develop a rural roads management plan within the West Coast District.

20.10) Greenest Municipality Competition

Balance unspent at the beginning of the year	-	25 275
Current year receipts	-	50 000
Current year interest	-	-
Conditions met - transferred to revenue	-	(75 275)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Essential bulk services.

This was used to buy computer equipment within the Corporate and Community services department.

20,11) Fire Services Capacity Building Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	1 483 000	1 450 000
Current year interest	-	-
Conditions met - transferred to revenue	(1 483 000)	(1 450 000)
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Social well - being.

The purpose of the grant is to build infrastucture capacity withín the municipality's fire department.

20,12) Finance Management Spacial Development

Balance unspent at the beginning of the year	600 000	-
Current year receipts	-	600 000
Current year interest	-	-
Conditions met - transferred to revenue	(477 360)	-
Conditions still to be met - transferred to liabilities	**122 640**	**600 000**

Strategic objective - Good governance and financial viability.

The purpose of the grant is to assist with spacial development within the West Coast District.

20.13) WOSA : Western Cape Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	800 000	-
Current year interest	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	**800 000**	**-**

Strategic objective - Social well - being

The purpose of the grant is to safety planning within the communities.

20. Unspent conditional grants and subsidies (continued)

20.14) Western Cape Provincial Emergency Grant

Balance unspent at the beginning of the year	-	-
Current year receipts	450 000	-
Current year interest	-	-
Conditions met - transferred to revenue	(450 000)	-
Conditions still to be met - transferred to liabilities	**-**	**-**

Strategic objective - Essential bulk services

The purpose of the grant is to provide solid waste management services within the West Coast District.

20,15) Mayor's Charity Fund

Balance unspent at the beginning of the year	-	-
Current year receipts	311 200	-
Current year interest	-	-
Conditions met - transferred to revenue	(259 436)	-
Conditions still to be met - transferred to liabilities	**51 764**	**-**

Unspent conditional grants and subsidies

PAWC and State funds : Various projects (see note 12)	1 291 586	1 418 560

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Employee related costs

Employee related costs - Salaries and wages	102 009 391	96 564 479
Employee related costs - Contributions for UIF, pensions and medical aids	25 579 272	24 290 190
Bonus paid	6 368 133	5 537 273
Bonus paid - Roads	2 647 834	2 465 925
Travel, motor car, accommodation, subsistence and other allowances	10 408 183	10 152 195
Other payroll levies	2 172 381	2 049 533
Overtime payments	8 799 382	8 006 867
Contributions to employee benefits	9 847 988	8 275 309
Leave accrual	1 778 622	1 177 707
Special allowances	5 234 472	4 933 334
Housing benefits and allowances	1 280 192	1 338 128
	176 125 850	**164 790 940**

Remuneration of municipal manager (This expense forms part of employee related costs)

Annual Remuneration	1 207 449	1 047 663
Car Allowance	120 000	121 490
Performance Bonuses	218 914	106 675
Contributions to UIF, Medical and Pension Funds	38 175	32 706
Telephone allowance	20 184	15 138
Other	105	74
	1 604 827	**1 323 746**

Remuneration of chief finance officer (This expense forms part of employee related costs)

Annual Remuneration	1 198 687	935 211
Car Allowance	72 000	22 397
Performance Bonuses	43 535	90 128
Contributions to UIF, Medical and Pension Funds	1 934	122 330
Telephone allowance	20 184	16 820
Other	105	57
	1 336 445	**1 186 943**

Remuneration of individual executive directors - Technical services (This expense forms part of employee related costs)

Annual Remuneration	1 100 345	1 047 962
Car Allowance	120 000	120 000
Performance Bonuses	67 721	28 018
Contributions to UIF, Medical and Pension Funds	52 131	49 091
Telephone allowance	20 184	20 184
Other	102	99
	1 360 483	**1 265 354**

Remuneration of individual executive directors - Corporate and Community services (This expense forms part of employee related costs)

Annual Remuneration	985 812	932 876
Car Allowance	120 000	120 000
Performance Bonuses	202 337	90 745
Contributions to UIF, Medical and Pension Funds	166 660	156 996
Telephone allowance	20 184	20 184
Other	105	99
	1 495 098	**1 320 900**

Figures in Rand	2019	2018

22. Remuneration of councillors

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee members are full-time Councillors. Each is provided with an office and secretarial support at the cost of the municipality.

The Executive Mayor has the use of a council owned vehicle for official duties.

Certification by the Municipal Manager

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisage in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

	2019	2018
Executive Mayor	903 870	870 814
Deputy Executive Mayor	731 975	705 529
Mayoral Committee Members	1 525 950	1 371 486
Speaker	725 831	705 529
Councillors and Secretarial support	2 033 215	2 131 338
Councillors pension contribution	218 855	157 550
	6 139 696	**5 942 246**

23. Finance costs

	2019	2018
Long-term liabilities	**3 663 215**	**5 474 312**

24. Bulk purchases

	2019	2018
Water	**8 351 000**	**7 119 651**

25. General expenses

	2019	2018
Advertising	258 722	445 244
Assessment rates & municipal charges	18 849 880	18 182 251
Auditors remuneration	3 029 845	3 152 296
Study - rural roads	2 112 918	2 122 789
Computer expenses	3 045 023	2 250 379
Consulting and professional fees	2 915 518	2 463 374
Insurance	871 904	977 434
Rental offices	666 263	635 076
Water demand management	397 835	44 643
Lease rental on operating lease	330 571	353 765
Contribution to free municipal services	-	691 085
Fuel and oil	17 011 947	14 991 666
Printing and stationary	155 689	198 779
Security (Guarding of municipal property)	554 652	488 883
Subscriptions and membership fees	12 455	70 107
Telephone and fax	1 838 218	1 589 765
Transport and freight	44 353	92 642
Training	868 984	525 737
Travel - local (subsistence allowance)	3 190 985	3 570 081
Water and milk samples	8 718	53 386
Uniforms	1 230 513	2 230 699
Exhibitions	270 804	257 862
Professional services (Water services)	1 192 590	2 003 677
Bore waterhole drill	102 318	374 630
Infrastructure and planning - civil and land	7 947 899	8 910 978
Maintenance of buildings and equipment	5 169 447	4 305 287
Hire charges	4 809 933	4 121 888
Workmen's compensation	1 406 340	1 189 663
Skills development levies	1 471 106	1 389 323
Security services	697 510	1 159 945
Traffic and street lights	982 278	145 473
Fire services	840 699	1 167 997
SALGA levies	1 732 174	1 506 747
Signage	428 371	595 911
Air pollution	369 510	107 935
Other operating expenses	7 741 904	8 167 588
	92 557 876	**90 534 985**

26. Prior period errors

The correction of errors resulted in adjustments as follows:

	Adjustment
General expenses - Refund of training expense.	15 500
PAYE refund from SARS related to the 2016 financial year. This was corrected in the Statement of Changes in Net Assets for 30 June 2019	32 794
Rounding of accounts due to the transfer of concession assets. This was corrected in the Statement of Changes in Net Assets of 30 June 2019.	4 411
Correction of stale payments six months and older.	330
Correction of the provision for creditors not made in the 2018 financial year.	(139 148)
Correction of the distribution payable - water service concession 2018.	21 356 864
Correction of the management fee within the water service concession 2018.	(9 328 506)
Correction of the distribution receivable - water service concession 2018.	7 043 651
Reduction of asset receivable - Local municipalities water service concession	(13 379 601)
Correction of management fee transferred to revenue - water service concession 2018	7 999 194
	13 605 489

Figures in Rand	2019	2018

26. Prior period errors (continued)

Statement of Financial Performance	Balance before adjustment	Adjustment	Balance after adjustment
General expenses	(111 768 531)	21 233 547	(90 534 984)
Service concession revenue	93 700 436	(1 329 312)	92 371 124
Other revenue from exchange transactions	3 304 901	7 043 651	10 348 552
Bulk purchases	24 132 877	(17 013 227)	7 119 650
Depreciation and amortisation	8 126 753	3 633 625	11 760 378
	17 496 436	**13 568 284**	**31 064 720**

Statement of Financial Position	Balance before adjustment	Adjustment	Balance after adjustment
Trade payables from exchange transactions	(16 299 467)	(138 818)	(16 438 285)
Other receivables from exchange transactions	3 847 365	15 500	3 862 865
Distribution payable - water service concession	(21 356 864)	21 356 864	-
Distribution receivable - water service concession	-	7 043 651	7 043 651
VAT payable	(1 563 040)	(1 329 312)	(2 892 352)
Intangible assets	40 331 853	(36 602 373)	3 729 480
Current portion of asset receivable - local municipalities	-	13 731 176	13 731 176
Asset receivable - local municipalities	-	22 871 197	22 871 197
	4 959 847	**26 947 885**	**31 907 732**

Accumulated surplus	Balance before adjustment	Adjustment	Balance after adjustment
Balance as at 30 June	284 149 577	13 568 284	297 717 861

Fire services revenue was reclassified to other revenue from exchange transactions.

30 June 2018	Balance before adjustment	Reclassified	Balance after adjustment
Other revenue from exchange transactions	9 708 685	639 867	10 348 552
Service concession revenue	94 340 303	(639 867)	93 700 436
	104 048 988	**-**	**104 048 988**

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27. Cash generated from operations

	2019	2018
Surplus	17 224 462	30 726 974
Adjustments for:		
Depreciation and amortisation	8 754 952	11 760 379
Loss on property, plant and equipment	-	571 531
Roads receivable - Employee benefits	2 905 889	(2 608 935)
Correction of error - Refer to note 26	32 794	-
Donated assets - Other assets	-	(9 749)
Capital redemption - Concession arrangement	11 264 476	-
Gain on property, plant and equipment	(42 335)	-
Changes in working capital:		
Inventories	(653 661)	805 447
Trade receivables from exchange transactions	(3 342 727)	(4 384 782)
Other receivables from exchange transactions	(10 191 530)	24 062 328
Trade payables from exchange transactions	30 931 414	(5 892 398)
VAT	609 070	1 415 680
Long service awards	(126 974)	(294 025)
Employee benefits	1 738 410	4 269 573
	59 104 240	**60 422 023**

Figures in Rand	2019	2018

28. Utilisation of Long-term liabilities reconciliation

Long-term liabilities (See note 14)	27 609 922	40 884 327
Used to finance property, plant and equipment	(27 609 922)	(40 884 327)
Cash set aside for the repayment of long-term liabilities	14 728 192	13 731 176
	14 728 192	**13 731 176**

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.

29. Unauthorised expenditure

Opening balance as previously reported	-	-
Correction of prior period error	-	-
Opening balance as restated	**-**	**-**
Add: Unauthorised Expenditure - current	-	-
Add: Unauthorised Expenditure - prior period	-	-
Less: Amounts recoverable - current	-	-
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**-**	**-**

30. Fruitless and wasteful expenditure

Opening balance as previously reported	37 195	-
Correction of prior period error	-	-
Opening balance as restated	**37 195**	**-**
Add: Fruitless and wasteful Expenditure - current	21 513	40 780
Add: Fruitless and wasteful Expenditure - prior period	-	-
Less: Amounts recoverable - current	(11 446)	(3 585)
Less: Amounts recoverable - prior period	(3 219)	-
Less: Amount written off - current	-	-
Less: Amount written off - prior period	-	-
Closing balance	**44 043**	**37 195**

<u>30 June 2019 and 2018</u>

The municipality identified four incidents of fruitless and wasteful expenditure in this financial year. Reasonable steps were taken by management to address the control deficiency and the responsible official/s and were held accountable for any loss incurred by the municipality.

Incident 1 - An employee was admitted to the Toevlug Rehabilitation Centre in Worcester but did not complete the rehabilitation.	12 894	-
Incident 2 - It was determined that VAT was duplicate on a payment related to contract WDM06/2017.	8 619	-
Incident 2 - An investigation indicated that an official was negligent in two accidents with a awring at the Moorreesburg and Vergelee maintenance campsite Vredenburg. The sanction was that the official will be held accountable for the costs incurred by the municipality.	-	2 377
Incident 3 - An investigation indicated that an official was negligent in a accident on the N7 between the Algeria junction and Clanwilliam involving a private vehicle. The sanction was that the official will be held accountable for the costs incurred by the municipality.	-	35 095
Incident 4 - An official resigned with insufficient leave to recover all outstanding costs owed to the municipality.	-	3 308
	21 513	**40 780**

Figures in Rand	2019	2018

31. Irregular expenditure

Opening balance as previously reported	1 964 715	233 883
Correction of prior period error	-	-
Less: Amounts written-off	**1 964 715**	**233 883**
Add: Irregular Expenditure - current	3 650 211	1 242 892
Add: Irregular Expenditure - prior period	524	814 338
Less: Amounts recoverable - current	(77 043)	(92 515)
Less: Amounts recoverable - prior period	-	-
Less: Amount written off - current	(74 831)	(233 883)
Less: Amount written off - prior period	(1 067 373)	-
Closing balance	**4 396 203**	**1 964 715**

30 June 2019 and 2018		
Incident 1 - The municipality excludes the procurement of legal services in terms of it's Supply Chain Management Policy paragraph 2 (3) (c), Section 110 of the Municipal Finance Management Act (MFMA) only excludes procurement of goods and services from an organ of state which means the exclusion of legal services was in contravention of the Act. R252 511 relates to the current year and R814 338 relates to prior years.	74 831	1 066 849
Incident 2 - A payment for a contract exceeded the approved amount.	524	-
Incident 3 - The incorrect interpretation of disbursement of salaries, allowances and benefits to councillors as stipulated in the Government Notice : Nr R313, Gazette nr. 40793, dated 3 April 2017. The total remuneration package of respective councillors was exceeded.	-	339 495
Incident 4 - No CIDB registration for construction work done as per paragraph 25 (1) of the Construction Industry Development Regulations 2004.	68 780	-
Incident 5 - The Supply Chain Management Regulation, paragraph 29 (ii) states that a bid adjudication committee must consist of at least one senior supply chain management practitioner who is an official of the municipality or municipal entity. The Supply Chain Management practitioner was not present in a bid adjudication meeting dated 21 November 2018.	235 935	-
Incident 6 - The Supply Chain Management Regulation, paragraph 36 states that the accounting officer may dispense with the official procurement process in certain circumstances. The reason provided by management for this deviation was found to be invalid.	1 871 612	-
Incident 8 - The Supply Chain Management Regulation, paragraph 36 states that the accounting officer may dispense with the official procurement process in certain circumstances. The reason provided by management for this deviation was found to be invalid.	368 642	-
Incident 9 - The Supply Chain Management Regulation, paragraph 32 states that the accounting officer may procure goods or services under a contract secured by another organ of state. The municipality did not comply to this regulation and the legal interpretation. effectively meaning that the accounting officer of the original contracting organ of state is willing to forfeit a portion of its contract, in terms of contact value and quantity that has not already been utilised, to the accounting officer who is requesting to procure under that contract.	1 030 411	650 886
	3 650 735	**2 057 230**

32. Additional disclosure in terms of Municipal Finance Management Act

32.1) Contributions to organised local government

Opening balance	-	-
Current year subscription / fee	1 733 427	1 506 747
Amount paid - current year	(1 733 427)	(1 506 747)
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	**-**	**-**

Figures in Rand	2019	2018

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

32.2) Audit fees

Opening balance	-	-
Current year subscription / fee	3 029 845	3 152 296
Amount paid - current year	(3 029 845)	(3 152 296)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	**-**	**-**

32.3) PAYE and UIF

Opening balance	-	-
Current year subscription / fee	25 624 382	25 029 042
Amount paid - current year	(25 624 382)	(25 029 042)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	**-**	**-**

32.4) Pension and Medical Aid Deductions

Opening balance	-	-
Current year subscription / fee	25 579 271	23 424 805
Amount paid - current year	(25 579 271)	(23 424 805)
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	**-**	**-**

32.5) VAT

VAT payable	4 471 497	2 892 352

VAT output payables and VAT input receivables are shown in note 11.

All VAT returns have been submitted by the due date throughout the year.

32.6) Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
	-	-	-

32.7) Non-compliance to laws and regulations

In terms of section 17(2) of the Municipal Supply Chain Management Regulations a designated official referred to in subregulation (1)(c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subregulation. The report was submitted late by the relevant official as prescribed.

In terms of section 75(1)(g) of the Local Government : Municipal Finance Management Act the accounting officer of a municipality must place on the website referred to in section 21A of the Municipal Systems Act the following documents of the municipality : all supply chain management contracts above a prescribed value. Four reports was placed late by the relevant official as prescribed.

Figures in Rand	2019	2018

33. Capital Commitments

Authorised capital expenditure

Capital commitments are specific capital projects approved per tender and budget but still in progress at period end. The municipality does not have any capital commitments for this financial period.

34. Retirement benefit information

The municipality provides retirement benefits for all its permanent employees through a defined contribution plan, which is subject to the Pension Fund Act, 1956 as amended. The contributions made by the municipality and the employees to the plan during the year was :

	2019	2018
Cape Joint Pension Fund	154 902	211 495
Cape Joint Retirement Fund	25 624 382	24 187 954
	25 779 284	**24 399 449**

Cape Joint Pension Fund, which is a defined multi - employer contribution fund. Contribution ratio for employees 9% and Council 18%. Contribution ratio for Councillors 9% and Council 18%.

Multi employer funds are treated as defined contribution funds.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

35. Related parties

Relationships
The following related parties exist :

Government departments	National Treasury Provincial Treasury Department of Water Affairs and Forestry
Members of key management - Refer to note 21 for the amounts payable to key management.	D Joubert (Municipal Manager) J C P Tesselaar (Chief Financial Officer) W Markus (Director - Corporate and Community services) H Matthee (Director - Technical services)
Councillors - Refer to note 22 for the amounts paid to Councillors.	Ald J H Cleophas (Executive Mayor) Cllr R W Strydom (Deputy Executive Mayor Cllr R E Swart (Speaker) Cllr J A Engelbrecht (Mayoral committee member) Ald B J Stanley (Mayoral committee member) Ald F J Schippers (Mayoral committee member) Cllr V D McQuire (Mayoral committee member) Cllr F Kamfer Cllr S A Gxabalashe Ald E Plaatjies Cllr G Stephan Cllr J Alexander Cllr J J Hoop Cllr N M Ngobo Cllr M Carosini Cllr N S Qunta Cllr R V Pretorius Ald S I J Smit Cllr J C Botha Cllr E B Mankay Ald E Nackerdien Cllr M Schrader Cllr S M Scoltz Cllr B J Penxa Cllr C H Papers

The municipal manager (D Joubert) and the chief financial officer (J C P Tesselaar) are trustees in the operating lease transaction that exists between the Council and the West Coast Financing Partnership. Payments are payable every six months. The properties involved in this transaction are section 36 of the farm Yzervarkensrug number 127 and section 3 of division Malmesbury farm number 91. The transaction are disclosed below :

Related party balances

Grants received from related parties		
National Treasury	92 692 818	89 528 743
Provincial Treasury	4 152 980	3 052 272
Department of Water Affairs and Forestry	-	1 009 836
Purchase of goods and services from related parties		
Department of Water Affairs and Forestry	8 351 000	7 119 651
Sub-Lease transaction from related parties		
West Coast Financing Partnership	10 857 073	9 693 815

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

36. Leases

36.1) Lease payable

The total future minimum operating lease payments payable under existing arrangements are categorised as follows:

a) Within one year of the reporting date	519 729	655 970
b) More than one year but less than five years of the reporting date	367 603	274 654
	887 332	**930 624**

The municipality entered into an operating lease for the rental of photocopies for three years with Konica Minolta. There is no escalation clause.

The municipality entered into an operating lease for the rental of two offices. The lease is between Frank Family Trust and the municipality. The contract is for a period of one year. The property involved is Voortrekkerweg 47 Malmesbury.

The municipality entered into an operating lease for the rental of two offices. The lease is between Swemmerspark and the municipality. The contract is for a period of two years. The property involved is site 86 Velddift.

An operating lease exits between G R Damp and the municipality. The contract is for a month to month period. The property involved is Swartberg, Malmesbury (Section 5 of farm 619 Malmesbury road).

An operating lease exsist between SITA and the municipality. The contract is for a period of one year. This involves the maintenance of Microsoft software, products and services.

The municipality entered into a operating lease for the rental of storage capacity. The lease is between Saldanhabay municipality and this municipality. The contract is for a month to month period. The property involved is erf 860 Langebaan.

The municipality entered into a operating lease for the provision of GPS devices in vehicles. The contract is between Ramm Systems and the municipality. The contract is for a period of 36 months.

The municipality entered into a operating lease for the rental of storage capacity. The lease is between Linu farms and this municipality. The contract is for a two year period. The property involved is Petersfield 455, Voortrekker Street, Citrusdal, Section Clanwilliam.

The municipality entered into a operating lease with Marcelle Ann Ellis and Jannie Nel Ellis. The contract is for a three year period. The property involved is Die Trek 28 Piketberg.

The municipality entered into a operating lease with Business Engineering. The contract involves the collaborator foundation system and is for a 12 month period.

The municipality entered into a operating lease with Strassberger Investments. The contract is for a three year period. The property involved is erf 2715 Hoofweg 28A Clanwilliam.

36.2) Lease receivable

The following future minimum significant operating lease receivable under the existing operating lease arrangement are categorised as follows:

a) Within one year of the reporting date	304 217	304 217
b) More than one year but less than five years of the reporting date, and	1 115 461	1 419 677
c) More than five years	-	-
	1 419 678	**1 723 894**

The municipality entered into an operating lease as lessor with the Department of Transport and Public Works as the lessee. The lease term commenced on 1 March 2014 and expire with option to extend on 28 February 2024 and cover a period of 10 years. The property involved is the Moorreesburg ambulance station situated on erf 641.

Notes to the Annual Financial Statements

37. Risk management and Financial instrument disclosure

Financial risk management

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

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Liquidity risk

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.

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 financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Market risk

Figures in Rand	2019	2018

37. Risk management and Financial instrument disclosure (continued)

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.

37.1) Credit Risk

The carrying amount of financial assets and loans represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was :

Trade and other receivables	31 006 968	12 240 856

The ageing of trade and other receivables at the reporting date was :		
Current	30 843 413	12 087 117
30 Days	309 503	267 786
60 Days	64 101	44 798
90 Days	2 067	3 072
120 Days plus	699	8 299
Less : Provision for bad debt	(212 815)	(170 216)
	31 006 968	**12 240 856**

The movement in the allowance for bad debt in respect of trade receivables over the year was :		
Balance at the beginning of the year	170 216	37 568
Contributions to provisions	226 942	151 196
Expenditure incurred	(184 343)	(18 548)
	212 815	**170 216**

The allowance for impairment in respect of trade and other receivables is used to record impairment losses until the municipality is satisfied that no recovery of the amount owing is possible. At that point the amount is considered irrecoverable and written off directly against the financial asset.

37.2) Liquidity risk

The following are contractual maturities of financial liabilities, including interest payments and excludes the impact of netting agreements :

Non-derivative financial liabilites 2019	Carrying Amount	Contractual Cash Flows	Within 1 Year	2 - 5 Years	More than 5 Years
Unspent conditional grants and receipts	1 291 586	-	-	-	-
Long term liabilities	27 609 922	-	14 728 192	12 881 730	-
	28 901 508	**-**	**14 728 192**	**12 881 730**	**-**

37.3) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long term debtors, consumer debtors, other debtors and bank and cash balances. The municipality is exposed to interest rate risk as the municipality's borrowed funds is at a fixed interest rate. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the municipality can be required to pay. The financial assets are based on the interest rate provided by the banks and National Treasury at the reporting date. The municipality's exposure to interest rate risk and the effective interest rates on financial instruments at reporting date are as follows :

37. Risk management and Financial instrument disclosure (continued)

Non-derivative financial assets 2019	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other receivables (8.5%)	31 006 968	-	-
Cash and cash equivalents - Cash book balances (6.5% floating)	306 612 607	-	-
	337 619 575	**-**	**-**

Non-derivative financial liabilities 2019	Within 1 Year	2 - 5 Years	More than 5 Years
Trade and other payables (Interest free)	8 971 722	-	-
Unspent conditional grants and receipts	1 291 586	-	-
Long term liabilities (12.54%, 11.73%, 8.60500%, 10.87%)	14 728 192	12 881 730	-
	24 991 500	**12 881 730**	**-**

Sensitivity analysis

An increase of 1% in interest rates at 30 June would have increased / (decreased) financial assets and profit or loss by the amounts shown below. A decrease of 1% in interest at 30 June would have had the equal but opposite effect on the above financial instruments, on the basis that all other variables remain constant. There where no changes in the municipality's approach from the prior year.

Non-derivative financial assets 2019	Statement of Financial Position	Profit or loss
Trade and other receivables	31 006 968	310 070
Cash and cash equivalents - Cash book balances	306 612 607	3 066 126
	337 619 575	**3 376 196**

37.4) Fair value

Due to their short maturities the fair values of all financial instruments are substantially identical to the values reflected in the Statement of Financial Position.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Contingent liabilities

The municipality is being sued by West Coast Builders (BK) amounting to R2 110 643 for the rendering of services starting in October 2014.The legal expert believe the municipality has a reasonable chance of success.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements. The value of the award is disclosed in the financial statements. The actual expenditure incurred for this financial year amounts to R5 930 089.

Sasfin Commercial Solutions - Sole Supplier	5 000	-
Imperial Trucks - Sole Supplier	6 038	-
Imperial Trucks - Sole Supplier	8 552	-
Imperial Truck - Sole Supplier	8 162	-
Imesa Conference - Sole Supplier	12 600	-
JB's Trucks - Sole Supplier	6 921	-
Unitrans Automotive - Sole Supplier	2 109	-
Barloworld Equipment - Strip & Quote	3 502	-
Imperial Trucks - Sole Supplier	6 314	-
Sasfin Commercial Solution - Sole Supplier	5 000	-
Imperial Trucks - Sole Supplier	8 665	-
Wolters Kluwer Tax and Account - Sole Supplier	16 498	-
Quantum Design and Engineering - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	7 774	-
Imperial Trucks - Sole Supplier	7 601	-
De Kock Panelbeaters & Spraypainters CC - Emergency	13 225	-
Charis 2014001244 SA (Pty) Ltd - Emergency	15 425	-
KSB Pumps and Valves - Strip & Quote	17 767	-
Ivan Vos & Associates- Exceptional case and it is impractical to follow the official procurement processes.	15 000	-
Auma South Africa - Stip & Quote	34 173	-
Nelson Mandela Metropolitan University - Exceptional case and it is impractical to follow the official procurement processes.	8 430	-
Sasfin Commercial Solutions - Sole Supplier	5 000	-
Imperial Trucks - Sole Supplier	5 931	-
Stephen Du Plessis Grondverskuiwing	2 944	-
Chartered Institute of Goverment Finance, Audit & Risk Officers (CIGFARO) - Exceptional case and it is impractical to follow the official procurement processes.	15 252	-
Auma South Africa - Strip and Quote	6 348	-
Imperial Trucks - Sole Supplier	5 630	-
Ezyed - Sole Supplier	633 783	-
Steve's Electrical - Exceptional case and it is impractical to follow the official procurement processes.	9 442	-
Institute of Internal Auditors - Exceptional case and it is impractical to follow the official procurement processes.	5 560	-
Interactive Trading 498 cc - Exceptional case and it is impractical to follow the official procurement processes.	46 005	-
Sasfin Commercial Solutions - Sole Supplier	5 000	-
Imperial Trucks - Sole Supplier	6 771	-
Imperial Trucks - Sole Supplier	6 001	-
VI Instruments - Sole Supplier	4 110	-
Ivan Vos & Associates - Exceptional case and it is impractical to follow the official procurement processes.	15 000	-
Auma South Africa - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	52 575	-
Imperial Trucks - Sole Supplier	6 010	-
Nextec Industrial Technologies - Exceptional case and it is impractical to follow the official procurement processes.	268 550	-
Sasfin Commercial Solutions - Sole Supplier	5 000	-
Imperial Trucks - Sole Supplier	5 967	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Deviation from supply chain management regulations (continued)		
Directech - Exceptional case and it is impractical to follow the official procurement processes.	5 060	-
Bytes Systems Integration - Sole Supplier	124 644	-
LH Marthinusen - Strip & Quote	134 902	-
Nextec Industrial Technologies - Exceptional case and it is impractical to follow the official procurement processes.	185 617	-
Roux & Van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	14 939	-
Wec - Consult - Exceptional case and it is impractical to follow the official procurement processes.	368 642	-
Vision Elevators - Exceptional case and it is impractical to follow the official procurement processes.	511 678	-
Moorreesburg Aircons - Emergency	6 269	-
Roux & Van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	20 240	-
Roux & Van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	22 126	-
Groter Cederberg Brandbeskerming - Emergency	4 356	-
Groter Cederberg Brandbeskerming - Emergency	29 392	-
Working on Fire - Emergency	99 970	-
Sasfin - Sole Supplier	5 000	-
Kruger & Blignaut Attorneys - Exceptional case and it is impractical to follow the official procurement processes.	3 531	-
Working on Fire - Emergency	44 738	-
Avalon Works - Exceptional case and it is impractical to follow the official procurement processes.	4 975	-
Synergy Oil and Gas Consulting - Exceptional case and it is impractical to follow the official procurement processes.	29 500	-
Viking Pony Africa (Pty) Ltd - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	10 510	-
LH Marthinusen (Pty) Ltd - Strip & Quote	126 405	-
Working on Fire - Emergency	222 821	-
Sasfin - Sole Supplier	5 000	-
Unisa - Exceptional case and it is impractical to follow the official procurement processes.	21 000	-
Nextec Industrial Tecnologies - Exceptional case and it is impractical to follow the official procurement processes.	440 296	-
Business Engineering - Exceptional case and it is impractical to follow the official procurement processes.	315 238	-
Roux & van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	21 934	-
Roux & van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	5 740	-
Working on Fire - Emergency	3 644	-
Audio Visual Centre - Exceptional case and it is impractical to follow the official procurement processes.	3 575	-
University of Stellenbosch - Exceptional case and it is impractical to follow the official procurement processes.	23 800	-
Saldanha Diving and Blasting - Emergency	34 500	-
Sasfin - Sole Supplier	5 000	-
AFG Fluid Control - Emergency	14 854	-
Nextec Industrial Tecnologies - Exceptional case and it is impractical to follow the official procurement processes.	310 803	-
Namibia Tourism Expo - Exceptional case and it is impractical to follow the official procurement processes.	41 035	-
Directech - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	9 718	-
Charis 2014001244 SA (Pty) Ltd - Strip & Quote	2 240	-
Working on Fire - Emergency	372 040	-

Figures in Rand	2019	2018

39. Deviation from supply chain management regulations (continued)

Roux & Van Dyk - Exceptional case and it is impractical to follow the official procurement processes.	21 033	-
Nextec Industrial Tecnologies - Exceptional case and it is impractical to follow the official procurement processes.	208 725	-
Sasfin - Sole Supplier	5 000	-
Vetties Waste (Pty) Ltd - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	4 807	-
Working on Fire - Emergency	72 146	-
De Kock Cronje - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	17 466	-
Sasfin Commercial Solutions - Sole Supplier	6 000	-
Wesgro - Exceptional case and it is impractical to follow the official procurement processes.	50 000	-
Wesgro - Exceptional case and it is impractical to follow the official procurement processes.	30 000	-
Working on Fire - Emergency	2 314	-
Nextec Industrial Tecnologies - Exceptional case and it is impractical to follow the official procurement processes.	234 392	-
Business Engineering - Exceptional case and it is impractical to follow the official procurement processes.	95 271	-
Surtie Supply and Services - Emergency	7 300	-
Surtie Supply and Services - Exceptional case and it is impractical to follow the official procurement processes.	8 550	-
De Kock Cronje - Ad-hoc repairs to plant and equipment where it is not possible to ascertain the nature or extent of the work required in order to call for bids.	21 396	-
Wec - Consult (Pty) Ltd - Exceptional case and it is impractical to follow the official procurement processes.	73 733	-
Nextec Industrial Tecnologies - Exceptional case and it is impractical to follow the official procurement processes.	223 229	-
Working on Fire - Emergency	102 828	-
Sulzer Pumps SA - Ad-hoc repairs to plant and equipment where it is impractical or imposible to follow the official procurement process.	782 362	-
Nextec Industrial Technologies - Exceptional case and it is impractical or impossible to follow the offcial procurement process.	558 243	-
Linu Boerdery - Exceptional case and it is impractical to follow the official procurement processes.	-	123 854
Mouton Citrus (Edms) Bpk - Exceptional case and it is impractical to follow the official procurement processes.	-	30 277
JB's Truck (Pty) Ltd - Exceptional case and it is impractical to follow the official procurement processes.	-	2 104
Komatsu SA (Pty) Ltd - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	4 012
Barloworld Equipment - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	32 019
High Power Equipment Africa - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	10 647
Arch Actuarial Consulting - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	7 411

Figures in Rand	2019	2018
39. Deviation from supply chain management regulations (continued)		
SSE Excelcom - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	17 996
Barloworld Equipment - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	15 195
Unisa - Exceptional case and it is impractical to follow the official procurement processes.	-	4 711
Reflect All Compressors - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	2 451
Cape Media Corporation - Exceptional case and it is impractical to follow the official procurement processes.	-	20 521
Business Engineering - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	60 649
Marcelle & Jannie Ellis - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	61 752
Saggues CC - Exceptional case and it is impractical to follow the official procurement processes.	-	71 821
Fintech - Exceptional case and it is impractical to follow the official procurement processes.	-	5 000
AMC International - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	6 500
Barloworld Equipment - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	14 615
DMISA - Sole Supplier	-	6 700
Bell Equipment - Sole Supplier	-	12 000
Effective Human Interventions - Exceptional case and it is impractical to follow the official procurement processes.	-	7 409
Metallurgical Testing Lab - Exceptional case and it is impractical to follow the official procurement processes.	-	6 012
Excelsior Flanges - Emergency	-	3 988
600CT Manufacturing (Pty) Ltd - Exceptional case and it is impractical to follow the official procurement processes.	-	13 242
Take Note Trading 321 - Sole Supplier	-	13 916
Metallurgical Testing Lab - Exceptional case and it is impractical to follow the official procurement processes.	-	17 783
Atlas Staalgeboue BK - Emergency	-	3 988
High Power Equipment Africa - Sole Supplier	-	17 887
Fintech - Exceptional case and it is impractical to follow the official procurement processes.	-	5 000
Stellenbosch University - Exceptional case and it is impractical to follow the official procurement processes.	-	30 000

Figures in Rand	2019	2018
39. Deviation from supply chain management regulations (continued)		
Stellenbosch University - Exceptional case and it is impractical to follow the official procurement processes.	-	30 000
Global Prospective Development - Exceptional case and it is impractical to follow the official procurement processes.	-	27 326
Bytes Universal Systems - Exceptional case and it is impractical to follow the official procurement processes.	-	2 850
Advanced Worx 112 - Exceptional case and it is impractical to follow the official procurement processes.	-	27 178
Bytes Universal Systems - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	20 600
The Boardwalk Hotel - Exceptional case and it is impractical to follow the official procurement processes.	-	16 399
IMPSA - Exceptional case and it is impractical to follow the official procurement processes.	-	10 650
North-West University - Exceptional case and it is impractical to follow the official procurement processes.	-	30 000
Komatsu SA - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	11 125
Take Note Trading 321 - Sole Supplier	-	16 336
Fintech - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	5 000
Talon Construction - Exceptional case and it is impractical or impossible to follow the officail procurement processes.	-	116 509
Imperial Trucks - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	5 994
Working on fire - Emergency	-	69 432
Working on fire - Emergency	-	197 257
Working on fire - Emergency	-	46 044
Working on fire - Emergency	-	89 545
Working on fire - Emergency	-	61 204
Fintech - Exceptional case and it is impractical or impossible to follow the officail procurement processes.	-	5 000
C K Rumboll & Vennote - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	466 260
R J Consani - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	92 380
Working on fire - Emergency	-	61 203
Sivad Trading - Emergency	-	18 500
Auma South Africa (Pty) Ltd - Emergency	-	3 041
Working on fire - Emergency	-	61 997
Groter Cederberg Brandbeskerming - Emergency	-	997
Groter Cederberg Brandbeskerming - Emergency	-	2 730
Groter Cederberg Brandbeskerming - Emergency	-	5 100
Groter Cederberg Brandbeskerming - Emergency	-	7 565
Groter Cederberg Brandbeskerming - Emergency	-	5 118
Working on Fire - Emergency	-	132 734
CSX Customer Services - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	2 257
Groter Cederberg Brandbeskerming - Emergency	-	5 860

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Deviation from supply chain management regulations (continued)		
Mastertreads t/a Trentyre Moorreesburg - Emergency	-	2 142
Fintech - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	5 000
Exibition Building Solutions - Sole Supplier	-	9 484
Fintech - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	2 169
Fintech - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	2 169
Vetties Maintenance & Clearing - Emergency	-	29 449
Vetties Maintenance & Clearing - Emergency	-	65 394
Valco Group SA - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	2 280
Babcock Equipment - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	6 995
Barloworld Equipment - Sole Supplier	-	28 590
Imperial Trucks - Sole Supplier	-	5 999
Continous Professional Development - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	12 517
Viking Pony Africa (Pty) Ltd - Emergency	-	118 297
Working on fire - Emergency	-	141 147
Unisa - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	1 470
Unisa - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	26 449
Man Truck & Bus SA (Pty) Ltd - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	8 634
Working on fire - Emergency	-	95 552
Northlink College - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	5 050
Leadership Academy for Guardians of Governance - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	23 928
Institute of Fire Engineers - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	26 336
Fintech - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	5 000
Namibia Tourism Expo - Sole Supplier	-	40 244
Darling Security Services - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	34 947
Hazard Bonako Cape (Pty) Ltd - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	3 026
Hidro-Tech Systems - Emergency	-	78 718
Valco Group SA - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	22 344
JJ Hanekom Verkoeling & Herstelwerke - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	3 492
Bytes Universal Systems - Such goods or services have already been acquired by the municipality from a specific supplier or service provider and subsequent maintenance, amendments, or modifications by other suppliers or service providers are prohibited, restricted or impossible because of guarantee, legal, licensing or such other requirements.	-	11 877
Komatsu South Africa (Pty) Ltd - Sole Supplier	-	12 061

Figures in Rand	2019	2018

39. Deviation from supply chain management regulations (continued)

Unisa - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	9 400
Leadership Academy - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	19 990
Fintech - Sole Supplier	-	5 000
Darling Security Services (Pty) Ltd - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	47 710
WESGRO - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	34 680
Imperial Group - Hino Trucks - Sole Supplier	-	6 047
Bytes Universal Systems - Sole Supplier	-	43 572
Ignite Advisory Services (Pty) Ltd - Sole Supplier	-	163 300
Ignite Advisory Services (Pty) Ltd - Sole Supplier	-	80 960
Bytes Universal Systems - Sole Supplier	-	19 939
Sizonke Trading Cape Town (Pty) Ltd - Exceptional case and it is impractical to follow the official procurement processes.	-	136 083
Cubigenix (Pty) Ltd - Emergency	-	3 565
Bytes Universal Systems - Sole Supplier	-	40 064
WESGRO - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	21 500
JB's Trucks - Sole Supplier	-	6 822
Moorreesburg Aircons - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	3 931
Darling Security Services (Pty) Ltd - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	85 941
SASFIN - Sole Supplier	-	3 144
Reflect All Compressors - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	2 627
SASFIN Commercial Solutions - Sole Supplier	-	5 000
JB's Nissan - Sole Supplier	-	6 565
JB's Nissan - Sole Supplier	-	6 617
Agrico Piketberg - Emergency	-	18 030
Saldanha Diving and Blasting - Emergency	-	5 750
Reflect All Compressors - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	47 231
Hazard Bonako Cape - Exceptional case and it is impractical or impossible to follow the official procurement processes.	-	2 459
Bytes Universal Systems - Sole Supplier	-	227 795
	7 450 162	**4 168 133**

In terms of the Supply Chain Regulations No 27636 - 30 May 2005 Section 45 the municipality is allowed to make awards to close family members or persons in the service of the state, or who have been in the service of the state in the previous twelve months. As per the reporting period the municipality made the following awards :

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

Cummins South Africa - Mr M Mokoka - W & R Seta - Director	4 624	-
Global Africa Network - Mr S Mabotja - Department of Agriculture - Director	235 935	233 884
Piston Power Chemicals CC - Mrs N Andhee - KZN Department of Education - Teacher	583 205	-
IOMU Trading (Pty) Ltd - Mrs A Appollis - Department of Correctional Services - Employee	364 669	-
Nyetleti General Supply Company - Mr K Munyama - National Statistics of SA - Employee	13 999	-
African Oxygen Limited - Nomfundo Qangule - Goega Development Corporation - Employee	195 525	87 760
M C Bakwerke - Mrs R Mckrieling - West Coast District Municipality - Clerk	73 350	23 847
Global Credit Rating Co - Mr M Ngoasheng - Coega Development Corporation - Non-executive director	198 375	171 000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

39. Deviation from supply chain management regulations (continued)

Sivad Trading (Pty) Ltd - Mrs Y Davis Michaels - Department of International Relations - Clerk	42 626	54 247
Blackbird Trading CC - Mrs M Smit - Swartland Municipality - Snr Clerk	6 500	11 000
Golden Reward 1873CC - Mr R de Jager - WC : Department of Education - Teacher	97 400	33 430
Ithuba Industries - Mrs De Morney - Sir Lowry's Pass Primary - Teacher	658 896	13 778
CICFARO - Various Directors - Various Municipalities	25 612	-
JB's Nissan - Mr R Kortje - Department of Education - Teacher	56 026	68 221
JB's Nissan - Mr R Kortje - Department of Education - Teacher	146 654	45 405
Massive Quantum (Pty) Ltd - Mrs F Hendricks - City of Cape Town - Employee	-	246 740
Johan van Wyk - Mr J van Wyk - Stellenbosch Municipality - Employee	50 930	-
Multimode Trading - Mrs H Esterhuizen - South African Police Services - Employee	31 747	-
Extreme Boards (Pty) Ltd - Mrs A Matthyse - Director	-	150
Anka Spyseniering - Mr A and K Frans - West Coast District Municipality - Employee	42 000	4 300
D J Vibrations - Mrss H & M Lakey - Close Corporation - Members	-	2 500
Exone Oil Purification - Financial and Fiscal Commission - Employee	-	32 750
Euraf Agencies CC - Mrs R Fourie - Employee	2 471	26 040
Ladybugs Innovative Marketing (Pty) Ltd - Mr R Levendal - Employee	21 114	29 199
Bubbles Household Chemicals - Miss C Pieters - Employee	39 261	21 470
Blue Planet Trading (Pty) Ltd - Mr W de Kock - Employee	346 544	491 972
	3 237 463	**1 597 693**

40. Reticulation Losses

Water

Kilolitres purchased - after purification	17 502 755	17 161 596
Kilolitres sold	(16 794 633)	(16 397 437)
Reticulation loss	**708 122**	**764 159**
Percentage	4.05%	4.45%

The norm for water losses is 10%. The losses occurred due to burst pipes and leaks from the reservoirs to the consumers.

Electricity

No electricity losses were incurred.

Figures in Rand	2019	2018

41. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance. Please refer to appendix A for more detailed disclosures.

Net surplus per the statement of financial performance		
Adjusted for :	17 224 462	30 726 974
Accounts exceeding budget	-	-
Service concession revenue	16 618 817	-
Investment revenue	(8 447 677)	(7 868 713)
Resort income	(1 588 226)	(1 192 858)
Other own revenue	976 911	(8 518 566)
Interest on debtors	(7 752)	(63 143)
Agency services	(1 160 014)	-
Licence and permits	(191 339)	-
Employee costs	1 473 736	-
Finance charges	3 498 050	-
Other expenditure	-	258 879
Transfers recognised - operational	-	36 697
Accounts not exceeding budget	-	-
Service concession revenue	-	23 318 054
Transfers recognised - operational and capital	2 843 197	-
Employee costs	-	(3 489 306)
Finance charges	-	(2 980 829)
Agency services	-	5 556 111
Licence and permits	-	(105 465)
Bulk purchases	(5 325 800)	(394 344)
Debt impairment	(573 058)	(1 395 303)
Depreciation and asset impairment	(12 282 577)	(5 792 077)
Other expenditure	(3 883 938)	-
Other materials	(18 415 507)	(25 604 286)
	(9 240 715)	**2 491 825**

42. Road agency services

Revenue recognised	**138 309 015**	**128 521 889**

43. Actuarial gains recognised - employee benefits

Medical aid benefits - refer to note 15 and 16	6 470 422	2 902 225
Roads receivable	-	1 267 886
	6 470 422	**4 170 111**

44. Finance income

Short-term investments	21 745 419	18 816 009
Primary bank account	2 301 216	2 937 454
Water service concession	3 857 845	-
	27 904 480	**21 753 463**

45. Allowance for impairment

Other receivables from exchange transactions	226 942	151 197
Trade receivables from exchange transactions	-	-
	226 942	**151 197**

46. Repairs and maintenance

In accordance with GRAP 17 paragraph 88 and 89 the municipality shall separately disclose expenditure incurred to repair and maintain property, plant and equipment in the notes to the financial statements. Below are repairs and maintenance per asset class and nature :

Repairs and maintenance per asset class	Buildings	Infrastructure	Other	Investment property	Total - 30 June 2019
Water reticulation	-	1 497 951	-	-	1 497 951
Buildings	1 120 543	-	-	448 980	1 569 523
Computer equipment	-	-	6 001	-	6 001
Furniture and office equipment	-	-	1 260	-	1 260
Machinery and equipment	-	-	5 088 292	-	5 088 292
Transport assets	-	-	1 426 290	-	1 426 290
	1 120 543	**1 497 951**	**6 521 843**	**448 980**	**9 589 317**

The repairs and maintenance expenses for the year amounts to R57 968 045, R48 373 728 of the amount pertains to the cost of repairs incurred on the provincial roads in terms of a signed agreement between the Department of Transport and Public works on an agency basis. The remaining R9 589 317 pertains to repair cost incurred to the municipal assets as depicted in the note above.

Repairs and maintenance per asset class	Buildings	Infrastructure	Other	Investment property	Total - 30 June 2018
Water reticulation	-	1 656 529	-	-	1 656 529
Buildings	1 209 248	-	-	188 867	1 398 115
Computer equipment	-	-	1 290	-	1 290
Machinery and equipment	-	-	4 356 587	-	4 356 587
Transport assets	-	-	1 147 363	-	1 147 363
	1 209 248	**1 656 529**	**5 505 240**	**188 867**	**8 559 884**

The repairs and maintenance expense for the year amounts to R55 752 626, R47 192 742 of the amount pertains to the cost of repairs incurred on the provincial roads in terms of a signed agreement between the Department of Transport and Public works on an agency basis. The remaining R8 559 884 pertains to repair cost incurred to the municipal assets as depicted in the note above.

47. Materials and supplies

Materials	**40 468 471**	**37 259 483**

48. Fees earned

Environmental health certificates and trading	**446 183**	**316 766**

49. Transfers and subsidies

Farmer support houses	**2 233 895**	**1 567 071**

50. Distribution

	2019	2018
Balance at the beginning of the year	(7 043 651)	-
Contribution for the year	35 158 231	21 356 864
Reversal of contribution - refer to note 26	-	(21 356 864)
Transferred from the distribution - refer to note 26	-	(7 043 651)
	28 114 580	**(7 043 651)**

West Coast District Municipality (operator) is operating a water concession on behalf of the following B (local) municipalities (grantor), namely Saldanha Bay, Swartland and Bergriver. The current water concession agreement will be terminated at 30 June 2020. The stakeholders (operator and grantor) are however busy with a Section 78 process in terms of the Local Government : Municipal System Act, 2000 (Act 32 of 2000) to decide on the future service delivery mechanism.

West Coast District Municipality as the operator of the water concession is responsible for the day to day operations of the bulk water purification works, including the maintaining of the water network. The relevant local municipalities (grantor) are responsible to capital replacement and upgrading. The only change facilitated during the financial year was the tariff stucture. Cashflows are limited to the sale of water that are based on the tariff charged in terms of the agreement. Future cashflows is dependent on the Section 78 process and future agreements.

51. Change in accounting estimate

Property, plant and equipment

The following change in estimate amounting to R245 890 was made to depreciation of other assets with zero book values but still in use reported in the financial statements of the municipality and is applied prospectively.

	2019	2018
Depreciation adjustment to other assets	245 890	-

52. Asset receivable - local municipalities

	2019	2018
Current portion of the asset receivable - local municipalities	14 728 192	13 731 176
Non-current portion of the asset receivable - local municipalities	10 609 683	22 871 197
	25 337 875	**36 602 373**

The asset receivable relates to the water service concession arrangement. Refer to note 14 for the liability disclosers.

West Coast District Municipality
Appendix E (1)
June 2019

Schedule of external loans as at 30 June 2019

	Loan Number	Redeemable	Balance at 30 June 2018 Rand	Interest paid less interest not paid during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2019 Rand	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
External loans								
DBSA	1	30/06/2020	12 150 760	-	5 722 792	6 427 968	-	-
ABSA	1	31/12/2021	15 233 567	(194 633)	4 356 980	10 681 954	-	-
DBSA	1	31/10/2022	13 500 000	-	3 000 000	10 500 000	-	-
			40 884 327	**(194 633)**	**13 079 772**	**27 609 922**	**-**	**-**

West Coast District Municipality
Appendix B
June 2019

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassification Rand	Closing Balance Rand	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassification Rand	Carrying value Rand
Land and buildings														
Land	26 760 390	-	1 021 057	-	-	-	**27 781 447**	-	-	-	-	-	-	27 781 447
	26 760 390	**-**	**1 021 057**	**-**	**-**	**-**	**27 781 447**	**-**	**-**	**-**	**-**	**-**	**-**	**27 781 447**
Infrastructure														
Electricity supply / reticulation	372 715	-	-	-	-	-	**372 715**	(102 297)	-	(9 235)	-	-	**(111 532)**	261 183
Mini sub stations	3 663	-	-	-	-	-	**3 663**	(1 159)	-	(92)	-	-	**(1 251)**	2 412
Pump stations	14 289	-	-	-	-	-	**14 289**	(5 190)	-	(358)	-	-	**(5 548)**	8 741
Reservoirs	3 328	-	-	-	-	-	**3 328**	(1 686)	-	(133)	-	-	**(1 819)**	1 509
Electric panels	44	-	-	-	-	-	**44**	(14)	-	(1)	-	-	**(15)**	29
Electricity perimeter protection	53 529	-	-	-	-	-	**53 529**	(24 087)	-	(2 142)	-	-	**(26 229)**	27 300
Other	1 313 048	-	-	-	-	-	**1 313 048**	(13 499)	-	(83 888)	-	-	**(97 387)**	1 215 661
	1 760 616	**-**	**-**	**-**	**-**	**-**	**1 760 616**	**(147 932)**	**-**	**(95 849)**	**-**	**-**	**(243 781)**	**1 516 835**
Community Assets														
Residences (Personnel)	1 559 601	-	179 999	-	-	-	**1 739 600**	(437 757)	-	(98 000)	-	-	**(535 757)**	1 203 843
Warehouses	1 416 000	-	-	-	-	-	**1 416 000**	(707 813)	-	(70 770)	-	-	**(778 583)**	637 417
Community halls	8 417	-	-	-	-	-	**8 417**	(4 209)	-	(421)	-	-	**(4 630)**	3 787
Office buildings	6 606 640	-	14 348	-	-	-	**6 620 988**	(3 255 967)	-	(330 902)	-	-	**(3 586 869)**	3 034 119
Recreational facilities	17 081	-	-	-	-	-	**17 081**	(1 439)	-	(570)	-	-	**(2 009)**	15 072
Clinics	1 845 076	-	-	-	-	-	**1 845 076**	(403 548)	-	(43 427)	-	-	**(446 975)**	1 398 101
Non residential perimeter protection	18 592	-	51 000	-	-	-	**69 592**	(9 419)	-	(1 901)	-	-	**(11 320)**	58 272
Workshops / Store rooms	556 893	-	-	-	-	-	**556 893**	(222 763)	-	(22 275)	-	-	**(245 038)**	311 855
Public parking	1 004 546	-	-	-	-	-	**1 004 546**	(502 285)	-	(50 225)	-	-	**(552 510)**	452 036
Fire, safety & emergency	36 555 037	-	464 073	-	-	-	**37 019 110**	(17 151 900)	-	(1 788 965)	-	-	**(18 940 865)**	18 078 245
Car ports / Garage	5 047	-	-	-	-	-	**5 047**	(1 472)	-	(252)	-	-	**(1 724)**	3 323
Internal roads	261 722	-	-	-	-	-	**261 722**	(106 935)	-	(8 443)	-	-	**(115 378)**	146 344
	49 854 652	**-**	**709 420**	**-**	**-**	**-**	**50 564 072**	**(22 805 507)**	**-**	**(2 416 151)**	**-**	**-**	**(25 221 658)**	**25 342 414**

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	**Corrections and Transfers Rand**	**Additions Rand**	**Disposals Rand**	**WIP Rand**	**Reclassification Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Corrections and Transfers Rand**	**Additions Rand**	**Disposals Rand**	**WIP Rand**	**Reclassification Rand**	**Carrying value Rand**
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	37 379 903	-	1 545 132	(1 119 924)	-	-	**37 805 111**	(26 668 230)	-	(1 801 142)	1 005 375	-	**(27 463 997)**	10 341 114
Audiovisual equipment	474 732	-	87 802	-	-	-	**562 534**	(371 193)	-	(29 150)	-	-	**(400 343)**	162 191
Computer Equipment	4 894 481	-	3 155 924	(79 974)	-	-	**7 970 431**	(3 528 804)	-	(361 661)	78 033	-	**(3 812 432)**	4 157 999
Domestic equipment	67 152	-	26 351	-	-	-	**93 503**	(38 766)	-	(1 832)	-	-	**(40 598)**	52 905
Electrical wire and power distribution	8 903	-	9 549	-	-	-	**18 452**	(2 364)	-	(1 402)	-	-	**(3 766)**	14 686
Emergency / rescue equipment	1 157 740	-	3 880	-	-	-	**1 161 620**	(635 470)	-	(107 878)	-	-	**(743 348)**	418 272
Elevator systems	6 398	-	-	-	-	-	**6 398**	(6 235)	-	(29)	-	-	**(6 264)**	134
Fire fighting equipment	5 278 609	-	997 473	-	-	-	**6 276 082**	(3 138 964)	-	(603 656)	-	-	**(3 742 620)**	2 533 462
Gardening equipment	234 961	-	11 330	-	-	-	**246 291**	(177 536)	-	(20 295)	-	-	**(197 831)**	48 460
Kitchen appliances	468 929	-	122 896	-	-	-	**591 825**	(282 469)	-	(26 331)	-	-	**(308 800)**	283 025
Laboratory equipment	1 075 644	-	5 202	-	-	-	**1 080 846**	(474 032)	-	(115 031)	-	-	**(589 063)**	491 783
Medical and allied equipment	148 444	-	-	-	-	-	**148 444**	(141 770)	-	(4 793)	-	-	**(146 563)**	1 881
Pump / Pluming	2 556 269	-	-	-	-	-	**2 556 269**	(511 796)	-	(494 092)	-	-	**(1 005 888)**	1 550 381
Radio equipment	2 772 148	-	78 332	(28 786)	-	-	**2 821 694**	(1 479 588)	-	(219 871)	-	-	**(1 699 459)**	1 122 235
Security equipment	170 178	-	2 321	-	-	-	**172 499**	(63 879)	-	(33 616)	-	-	**(97 495)**	75 004
Workshop equipment	3 236 835	-	124 512	(182 367)	-	-	**3 178 980**	(2 835 694)	-	(187 810)	116 851	-	**(2 906 653)**	272 327
Air conditioners	927 544	-	-	(505)	-	-	**927 039**	(656 643)	-	9 693	-	-	**(646 950)**	280 089
Office furniture	3 931 280	-	33 141	-	-	-	**3 964 421**	(3 593 619)	-	(47 510)	-	-	**(3 641 129)**	323 292
Domestic and hostel furniture	1 474 060	-	134 100	-	-	-	**1 608 160**	(1 074 919)	-	(63 831)	-	-	**(1 138 750)**	469 410
Other	1 461 767	-	514 405	(12 944)	-	-	**1 963 228**	(747 954)	-	(254 027)	70 205	-	**(931 776)**	1 031 452
	67 725 977	**-**	**6 852 350**	**(1 424 500)**	**-**	**-**	**73 153 827**	**(46 429 925)**	**-**	**(4 364 264)**	**1 270 464**	**-**	**(49 523 725)**	**23 630 102**

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

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassification Rand	Closing Balance Rand	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassification Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	26 760 390	-	1 021 057	-	-	-	**27 781 447**	-	-	-	-	-	**-**	27 781 447
Infrastructure	1 760 616	-	-	-	-	-	**1 760 616**	(147 932)	-	(95 849)	-	-	**(243 781)**	1 516 835
Community Assets	49 854 652	-	709 420	-	-	-	**50 564 072**	(22 805 507)	-	(2 416 151)	-	-	**(25 221 658)**	25 342 414
Other assets	67 725 977	-	6 852 350	(1 424 500)	-	-	**73 153 827**	(46 429 925)	-	(4 364 264)	1 270 464	-	**(49 523 725)**	23 630 102
	146 101 635	**-**	**8 582 827**	**(1 424 500)**	**-**	**-**	**153 259 962**	**(69 383 364)**	**-**	**(6 876 264)**	**1 270 464**	**-**	**(74 989 164)**	**78 270 798**
Intangible assets														
Computers - software & programming and internally generated masthead	8 241 850	-	-	(4 970 093)	837 822	-	**4 109 579**	(8 142 900)	-	(30 205)	4 970 093	-	**(3 203 012)**	906 567
Concession arrangement	105 500 000	-	-	-	-	-	**105 500 000**	(101 869 449)	-	(1 815 275)	-	-	**(103 684 724)**	1 815 276
	113 741 850	**-**	**-**	**(4 970 093)**	**837 822**	**-**	**109 609 579**	**(110 012 349)**	**-**	**(1 845 480)**	**4 970 093**	**-**	**(106 887 736)**	**2 721 843**
Investment properties														
Investment property	5 508 050	-	-	-	-	-	**5 508 050**	(968 978)	-	(33 209)	-	-	**(1 002 187)**	4 505 863
	5 508 050	**-**	**-**	**-**	**-**	**-**	**5 508 050**	**(968 978)**	**-**	**(33 209)**	**-**	**-**	**(1 002 187)**	**4 505 863**
Total														
Land and buildings	26 760 390	-	1 021 057	-	-	-	**27 781 447**	-	-	-	-	-	**-**	27 781 447
Infrastructure	1 760 616	-	-	-	-	-	**1 760 616**	(147 932)	-	(95 849)	-	-	**(243 781)**	1 516 835
Community Assets	49 854 652	-	709 420	-	-	-	**50 564 072**	(22 805 507)	-	(2 416 151)	-	-	**(25 221 658)**	25 342 414
Other assets	67 725 977	-	6 852 350	(1 424 500)	-	-	**73 153 827**	(46 429 925)	-	(4 364 264)	1 270 464	-	**(49 523 725)**	23 630 102
Intangible assets	113 741 850	-	-	(4 970 093)	837 822	-	**109 609 579**	(110 012 349)	-	(1 845 480)	4 970 093	-	**(106 887 736)**	2 721 843
Investment properties	5 508 050	-	-	-	-	-	**5 508 050**	(968 978)	-	(33 209)	-	-	**(1 002 187)**	4 505 863
	265 351 535	**-**	**8 582 827**	**(6 394 593)**	**837 822**	**-**	**268 377 591**	**(180 364 691)**	**-**	**(8 754 953)**	**6 240 557**	**-**	**(182 879 087)**	**85 498 504**

West Coast District Municipality
Appendix B
July 2018

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassifications Rand	Closing Balance Rand	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	Reclassifications Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land (Separate for AFS purposes)	26 760 390	-	-	-	-	-	**26 760 390**	-	-	-	-	-	-	26 760 390
	26 760 390	**-**	**-**	**-**	**-**	**-**	**26 760 390**	**-**	**-**	**-**	**-**	**-**	**-**	**26 760 390**
Infrastructure														
Electricity supply / reticulation	372 715	-	-	-	-	-	**372 715**	(93 065)	-	(9 232)	-	-	**(102 297)**	270 418
Mini sub stations	3 663	-	-	-	-	-	**3 663**	(1 067)	-	(92)	-	-	**(1 159)**	2 504
Pump stations	14 289	-	-	-	-	-	**14 289**	(4 833)	-	(357)	-	-	**(5 190)**	9 099
Reservoirs	3 328	-	-	-	-	-	**3 328**	(1 553)	-	(133)	-	-	**(1 686)**	1 642
Electric panels	44	-	-	-	-	-	**44**	(13)	-	(1)	-	-	**(14)**	30
Electricity perimeter protection	53 529	-	-	-	-	-	**53 529**	(21 946)	-	(2 141)	-	-	**(24 087)**	29 442
Other	174 039	-	1 258 740	(119 731)	-	-	**1 313 048**	(37 803)	-	(2 006)	26 310	-	**(13 499)**	1 299 549
	621 607	**-**	**1 258 740**	**(119 731)**	**-**	**-**	**1 760 616**	**(160 280)**	**-**	**(13 962)**	**26 310**	**-**	**(147 932)**	**1 612 684**
Community Assets														
Residences (Personnel)	1 559 601	-	-	-	-	-	**1 559 601**	(385 831)	-	(51 926)	-	-	**(437 757)**	1 121 844
Warehouses	1 416 000	-	-	-	-	-	**1 416 000**	(637 043)	-	(70 770)	-	-	**(707 813)**	708 187
Community halls	8 417	-	-	-	-	-	**8 417**	(3 788)	-	(421)	-	-	**(4 209)**	4 208
Office buildings	6 606 640	-	-	-	-	-	**6 606 640**	(2 925 644)	-	(330 323)	-	-	**(3 255 967)**	3 350 673
Recreational facilities	17 081	-	-	-	-	-	**17 081**	(870)	-	(569)	-	-	**(1 439)**	15 642
Clinics	1 845 076	-	-	-	-	-	**1 845 076**	(360 121)	-	(43 427)	-	-	**(403 548)**	1 441 528
Non residential perimeter protection	18 592	-	-	-	-	-	**18 592**	(8 675)	-	(744)	-	-	**(9 419)**	9 173
Workshops / Store rooms	586 895	-	-	(30 002)	-	-	**556 893**	(200 488)	-	(22 275)	-	-	**(222 763)**	334 130
Public parking	1 004 546	-	-	-	-	-	**1 004 546**	(452 059)	-	(50 226)	-	-	**(502 285)**	502 261
Fire, safety & emergency	36 555 037	-	-	-	-	-	**36 555 037**	(15 337 332)	-	(1 814 568)	-	-	**(17 151 900)**	19 403 137
Car ports / Garage	5 047	-	-	-	-	-	**5 047**	(1 346)	-	(126)	-	-	**(1 472)**	3 575
Internal roads	261 722	-	-	-	-	-	**261 722**	(98 493)	-	(8 442)	-	-	**(106 935)**	154 787
	49 884 654	**-**	**-**	**(30 002)**	**-**	**-**	**49 854 652**	**(20 411 690)**	**-**	**(2 393 817)**	**-**	**-**	**(22 805 507)**	**27 049 145**

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassifications Rand	Closing Balance Rand	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	Reclassifications Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Specialised vehicles														
Other assets														
General vehicles	34 867 115	-	3 859 284	(1 346 496)	-	-	**37 379 903**	(25 152 902)	-	(2 653 418)	1 138 090	-	**(26 668 230)**	10 711 673
Audiovisual equipment	449 178	-	37 503	(11 949)	-	-	**474 732**	(349 031)	-	(33 635)	11 473	-	**(371 193)**	103 539
Computer Equipment	4 988 775	-	337 930	(432 224)	-	-	**4 894 481**	(3 382 627)	-	(548 998)	402 821	-	**(3 528 804)**	1 365 677
Domestic equipment	50 701	-	17 152	(701)	-	-	**67 152**	(31 998)	-	(7 338)	570	-	**(38 766)**	28 386
Electrical wire and power distribution	9 254	-	-	(351)	-	-	**8 903**	(1 823)	-	(890)	349	-	**(2 364)**	6 539
Emergency / Rescue equipment	1 182 099	-	1 650	(26 009)	-	-	**1 157 740**	(543 896)	-	(111 296)	19 722	-	**(635 470)**	522 270
Elevator systems	6 398	-	-	-	-	-	**6 398**	(6 209)	-	(26)	-	-	**(6 235)**	163
Fire fighting equipment	4 818 168	-	462 061	(1 620)	-	-	**5 278 609**	(2 498 358)	-	(642 203)	1 597	-	**(3 138 964)**	2 139 645
Gardening equipment	226 665	-	16 521	(8 225)	-	-	**234 961**	(157 726)	-	(24 794)	4 984	-	**(177 536)**	57 425
Kitchen appliances	538 843	-	5 409	(75 323)	-	-	**468 929**	(310 766)	-	(29 553)	57 850	-	**(282 469)**	186 460
Laboratory equipment	994 611	-	161 391	(80 358)	-	-	**1 075 644**	(429 302)	-	(123 475)	78 745	-	**(474 032)**	601 612
Medical and allied equipment	154 668	-	-	(6 224)	-	-	**148 444**	(135 635)	-	(12 357)	6 222	-	**(141 770)**	6 674
Pump / Pluming	2 026 864	-	554 327	(24 922)	-	-	**2 556 269**	(20 702)	-	(494 110)	3 016	-	**(511 796)**	2 044 473
Radio equipment	2 594 336	-	338 222	(160 410)	-	-	**2 772 148**	(1 332 398)	-	(275 757)	128 567	-	**(1 479 588)**	1 292 560
Security equipment	169 217	-	7 500	(6 539)	-	-	**170 178**	(33 490)	-	(33 549)	3 160	-	**(63 879)**	106 299
Workshop equipment	3 223 333	-	88 004	(74 502)	-	-	**3 236 835**	(2 667 098)	-	(222 376)	53 780	-	**(2 835 694)**	401 141
Air conditioners	793 490	-	134 054	-	-	-	**927 544**	(597 398)	-	(59 245)	-	-	**(656 643)**	270 901
Office furniture	4 328 245	-	37 522	(434 487)	-	-	**3 931 280**	(3 846 210)	-	(154 497)	407 088	-	**(3 593 619)**	337 661
Domestic and hostel furniture	1 358 009	-	116 051	-	-	-	**1 474 060**	(998 970)	-	(75 949)	-	-	**(1 074 919)**	399 141
Other	1 362 041	-	100 782	(39)	-	-	**1 462 784**	(1 528 875)	-	765 634	14 200	-	**(749 041)**	713 743
	64 142 010	**-**	**6 275 363**	**(2 690 379)**	**-**	**-**	**67 726 994**	**(44 025 414)**	**-**	**(4 737 832)**	**2 332 234**	**-**	**(46 431 012)**	**21 295 982**

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	WIP Rand	Reclassifications Rand	Closing Balance Rand	Opening Balance Rand	Corrections and Transfers Rand	Additions Rand	Disposals Rand	Reclassifications Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	26 760 390	-	-	-	-	-	**26 760 390**	-	-	-	-	-	**-**	26 760 390
Infrastructure	621 607	-	1 258 740	(119 731)	-	-	**1 760 616**	(160 280)	-	(13 962)	26 310	-	**(147 932)**	1 612 684
Community Assets	49 884 654	-	-	(30 002)	-	-	**49 854 652**	(20 411 690)	-	(2 393 817)	-	-	**(22 805 507)**	27 049 145
Other assets	64 142 010	-	6 275 363	(2 690 379)	-	-	**67 726 994**	(44 025 414)	-	(4 737 832)	2 332 234	-	**(46 431 012)**	21 295 982
	141 408 661	**-**	**7 534 103**	**(2 840 112)**	**-**	**-**	**146 102 652**	**(64 597 384)**	**-**	**(7 145 611)**	**2 358 544**	**-**	**(69 384 451)**	**76 718 201**
Intangible assets														
Computers - software & programming	8 241 850	-	-	-	-	-	**8 241 850**	(7 194 988)	-	(947 932)	-	-	**(8 142 920)**	98 930
Concession arrangement	105 500 000	-	-	-	-	-	**105 500 000**	(98 235 823)	(3 633 625)	-	-	-	**(101 869 448)**	3 630 552
	-	-	-	-	-	-	**-**	-	-	-	-	-	**-**	-
	113 741 850	**-**	**-**	**-**	**-**	**-**	**113 741 850**	**(105 430 811)**	**(3 633 625)**	**(947 932)**	**-**	**-**	**(110 012 368)**	**3 729 482**
Investment properties														
Investment property	5 508 050	-	-	-	-	-	**5 508 050**	(935 768)	-	(33 210)	-	-	**(968 978)**	4 539 072
	5 508 050	**-**	**-**	**-**	**-**	**-**	**5 508 050**	**(935 768)**	**-**	**(33 210)**	**-**	**-**	**(968 978)**	**4 539 072**
Total														
Land and buildings	26 760 390	-	-	-	-	-	**26 760 390**	-	-	-	-	-	**-**	26 760 390
Infrastructure	621 607	-	1 258 740	(119 731)	-	-	**1 760 616**	(160 280)	-	(13 962)	26 310	-	**(147 932)**	1 612 684
Community Assets	49 884 654	-	-	(30 002)	-	-	**49 854 652**	(20 411 690)	-	(2 393 817)	-	-	**(22 805 507)**	27 049 145
Other assets	64 142 010	-	6 275 363	(2 690 379)	-	-	**67 726 994**	(44 025 414)	-	(4 737 832)	2 332 234	-	**(46 431 012)**	21 295 982
Intangible assets	113 741 850	-	-	-	-	-	**113 741 850**	(105 430 811)	(3 633 625)	(947 932)	-	-	**(110 012 368)**	3 729 482
Investment properties	5 508 050	-	-	-	-	-	**5 508 050**	(935 768)	-	(33 210)	-	-	**(968 978)**	4 539 072
	260 658 561	**-**	**7 534 103**	**(2 840 112)**	**-**	**-**	**265 352 552**	**(170 963 963)**	**(3 633 625)**	**(8 126 753)**	**2 358 544**	**-**	**(180 365 797)**	**84 986 755**

West Coast District Municipality
Appendix C
June 2019

Segmental analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Corrections and Transfers Rand	WIP Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Corrections and Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Executive & Council/Mayor and Council	1 281 670	11 884	-	-	-	-	**1 293 554**	(717 848)	-	-	(21 485)	-	**(739 333)**	554 221
Finance & Admin/Finance	150 279 875	1 598 261	(5 096 647)	-	837 822	-	**147 619 311**	(113 975 954)	5 089 511	-	(3 138 154)	-	**(112 024 597)**	35 594 714
Health/Clinics	3 359 556	322 988	-	-	-	-	**3 682 544**	(1 571 890)	-	-	(145 266)	-	**(1 717 156)**	1 965 388
Comm. & Social/Libraries and archives	9 640 270	760 727	-	-	-	-	**10 400 997**	(3 340 744)	-	-	(730 137)	-	**(4 070 881)**	6 330 116
Public Safety	78 522 342	3 832 390	(1 119 923)	-	-	-	**81 234 809**	(45 676 809)	1 005 375	-	(3 098 235)	-	**(47 769 669)**	33 465 140
Water/Water Distribution	22 272 164	2 056 578	(182 366)	-	-	-	**24 146 376**	(15 081 448)	145 673	-	(1 621 676)	-	**(16 557 451)**	7 588 925
	265 355 877	**8 582 828**	**(6 398 936)**	**-**	**837 822**	**-**	**268 377 591**	**(180 364 693)**	**6 240 559**	**-**	**(8 754 953)**	**-**	**(182 879 087)**	**85 498 504**

West Coast District Municipality
Appendix D
June 2019

Segmental Statement of Financial Performance for the year ended

30 June 2018				30 June 2019		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Municipality			
223 920	15 190 297	(14 966 377)	Executive & Council/Mayor and Council	(40)	12 982 168	(12 982 208)
123 095 925	36 575 494	86 520 431	Finance & Admin/Finance	127 603 274	46 239 595	81 363 679
756 070	8 070 533	(7 314 463)	Planning and Development/Economic Development/Plan	610 376	8 736 630	(8 126 254)
10 078 595	23 044 611	(12 966 016)	Health/Clinics	9 928 980	23 866 190	(13 937 210)
-	-	-	Comm. & Social/Libraries and archives	(2 199)	2 014 919	(2 017 118)
1 885 853	1 231 606	654 247	Housing	2 124 965	1 341 102	783 863
10 164 699	36 334 754	(26 170 055)	Public Safety/Police	10 044 075	37 093 241	(27 049 166)
3 606 282	4 974 263	(1 367 981)	Sport and Recreation	4 240 263	5 266 833	(1 026 570)
-	-	-	Waste Water Management/Sewerage	450 000	450 000	-
121 370 797	121 286 844	83 953	Road Transport/Roads	131 361 308	131 361 308	-
84 551 736	78 298 501	6 253 235	Water/Water Distribution	74 042 747	73 827 301	215 446
355 733 877	**325 006 903**	**30 726 974**		**360 403 749**	**343 179 287**	**17 224 462**

West Coast District Municipality
Appendix A
June 2019

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

	Act. Bal. Rand	Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service concession revenue	80 294 718	96 913 535	(16 618 817)	(17,1)	Transfer of the concession surplus to a provision
Rental of facilities and equipment	4 252 735	2 664 509	1 588 226	59,6	Reservations increase at the holiday resort
Interest received - Investments	27 904 481	19 456 804	8 447 677	43,4	higher level of cash this financial year
Interest received - Debtors received	50 730	42 978	7 752	18,0	higher level of debt recovery
Agency services	138 309 014	137 149 000	1 160 014	0,8	
Licences and permits	446 183	254 844	191 339	75,1	more licences issued then expected
Transfers recognised - operating	94 127 620	96 530 996	(2 403 376)	(2,5)	
Transfers recognised - capital	2 718 178	3 158 000	(439 822)	(13,9)	Less grants spent then expected
Other revenue	12 300 090	13 277 001	(976 911)	(7,4)	Increase in water service concession revenue and actuarial gains recognised
	360 403 749	369 447 667	(9 043 918)	(2,4)	
Expenses					
Employee costs	(176 125 850)	(174 386 330)	(1 739 520)	1,0	
Remuneration of councillors	(6 139 696)	(6 405 481)	265 785	(4,1)	
Debt impairment	(226 942)	(800 000)	573 058	(71,6)	Less debt written-off then expected
Depreciation and asset impairment	(8 754 952)	(21 037 529)	12 282 577	(58,4)	
Finance charges	(3 663 215)	(165 165)	(3 498 050)	2 117,9	Loans not budgeted due to the transfer of water asset and liabilities to the Local Municipalities.
Other materials	(40 468 471)	(58 883 977)	18 415 506	(31,3)	Difference between GRAP and mSCOA
Bulk purchases	(8 351 000)	(13 676 800)	5 325 800	(38,9)	Water assets transfer - service concession arrangement
Transfers and subsidies	(2 233 895)	(2 912 021)	678 126	(23,3)	Less subsidies provided then expected
General Expenses	(97 215 266)	(100 421 079)	3 205 813	(3,2)	
	(343 179 287)	(378 688 382)	35 509 095	(9,4)	

West Coast District Municipality
Appendix A
June 2019

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

	Act. Bal.	Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Net surplus/ (deficit) for the year	17 224 462	(9 240 715)	26 465 177	(286,4)	

West Coast District Municipality
Appendix E(2)
June 2019

Budget Analysis of Capital Expenditure as at 30 June 2019

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	13 738	53 300	39 562	**74**	Savings on projects
Finance & Admin/Finance	4 082 360	4 567 624	485 264	**11**	Savings on projects
Planning and Development/Economic Development/Plan	556 920	600 000	43 080	**7**	
Health	330 184	671 390	341 206	**51**	Savings on projects
Comm. & Social	34 267	34 267	-	**-**	
Public Safety/Police	3 154 261	3 178 800	24 539	**1**	
Sport and Recreation	227 860	272 580	44 720	**16**	Savings on projects
Waste Water Management/Sewerage	1 021 057	1 047 650	26 593	**3**	
	9 420 647	**10 425 611**	**1 004 964**	**10**	

West Coast District Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2019

Name of Grants	Quarterly Receipts					Quarterly Expenditure					Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun	Yes/ No
EPWP Grant	-	262 000	471 000	314 000	-	331 496	137 821	148 824	280 480	479 875	Yes
FMG Grant	-	1 000 000	-	-	-	121 738	248 577	103 122	314 231	334 070	Yes
Mayor Fund	37 750	-	-	-	311 200	-	-	-	-	259 436	Yes
Rural Roads management	766 000	1 791 000	-	767 000	-	535 398	-	295 592	584 765	1 360 461	Yes
Capacity Building Fire Services	-	1 483 000	-	-	-	-	-	-	-	1 483 000	Yes
MSIG	-	-	-	-	-	-	-	-	-	-	Yes
Work for Water	-	-	-	-	-	338 675	-	-	-	-	Yes
Provincial finance management grant	-	-	-	-	-	437 764	-	-	-	-	Yes
Provincial : LG internship	240 000	-	360 000	72 000	-	-	321 320	(286 839)	-	767 860	Yes
Provincial mSCOA	280 000	-	280 000	-	-	18 070	7 888	1 355	25 652	245 105	Yes
Provincial Public Safety	-	-	-	-	-	-	-	-	-	-	Yes
Capacity Building : Health	-	-	-	-	-	-	58 906	88 359	-	(45 305)	Yes
Financial Management / Spatial Development	-	-	-	-	-	-	-	159 120	238 680	(79 560)	Yes
Western Cape Provincial Emergency Grant	-	-	-	-	450 000	-	-	-	-	450 000	Yes
WSOA : Western Cape Grant	-	-	-	800 000	-	-	-	-	-	-	Yes
	1 323 750	4 536 000	1 111 000	1 953 000	761 200	1 783 141	774 512	509 533	1 443 808	5 254 942	