



Sarah Baartman
DISTRICT MUNICIPALITY
Province of the Eastern Cape

progress through development

SARAH BAARTMAN DISTRICT MUNICIPALITY

**Annual Financial Statements
for the year ended 30 June 2019**

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

General Information

<u>Legal form of Entity</u>	District Municipality (DC10)
<u>Jurisdiction</u>	Sarah Baartman District
<u>Nature of business and principal activities</u>	Municipal services
<u>Registered office</u>	32 Govan Mbeki Ave Standard Bank Building Port Elizabeth 6001
<u>Postal address</u>	P O Box 318 Port Elizabeth 6000
<u>Legislation governing the municipality's operations</u>	Local Government: Municipal Finance Management Act (Act no.56 of 2003) Local Government: Municipal Systems Act (Act 32 of 2000) Local Government: Municipal Structures Act (Act 117 of 1998) Constitution of the Republic of south Africa (Act 108 of 1998) Municipal Property Rates Act (act of 6 2004) Division of Revenue Act (Act 1 of 2007)
<u>Mayoral committee</u>	
Executive Mayor	K E Kekana
Speaker	N Pieters (resigned 30 November 2018) ME Njadayi (appointed 6 December 2018)
Portfolio Councillor: Finance	VS Stuurman
Portfolio Councillor: Corporate Services	ZJ Peter (resigned 20 May 2019)
Portfolio Councillor: Infrastructure Development and Community Services	K Ncamiso
Portfolio Councillor: Planning and Economic Development	S Lucas
Portfolio Councillor: Special Projects	Z Funiselo
<u>Accounting Officer</u>	DM Pillay
<u>Chief Finance Officer (CFO)</u>	RN Lorgat
<u>Preparer</u>	The annual financial statements were internally compiled by: K Abrahams
<u>Bankers</u>	ABSA Bank Limited
<u>Auditors</u>	Auditor-General South Africa

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Abbreviations

CDDA	Cacadu District Development Agency
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
SBDM	Sarah Baartman District Municipality
VAT	Value Added Taxation

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

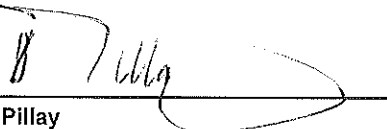
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

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

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

The annual financial statements set out on page 4 to 59, which have been prepared on the going concern basis, were approved by the Accounting Officer on 11 December 2019 and signed hereunder.



DM Pillay
Accounting Officer

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Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Receivables from exchange transactions	4	1 354 050	1 669 442
Receivables from non-exchange transactions	5	650 948	1 567 800
VAT receivable	6	2 818 479	2 340 914
Deposits paid	7	15 410	15 410
Short-term investments	8	185 000 000	150 000 000
Cash and cash equivalents	9	33 336 276	56 907 009
		223 175 163	212 500 575
Non-Current Assets			
Investment property	10	12 639 722	12 639 722
Property, plant and equipment	11	19 423 038	17 191 000
Intangible assets	12	2 540 644	2 540 644
Heritage assets	13	16 212 500	16 212 500
Long-term receivables	14	162 196	228 367
		50 978 100	48 812 233
Total Assets		274 153 263	261 312 808
Liabilities			
Current Liabilities			
Payables from exchange transactions	15	24 604 940	12 079 649
Employee benefit obligation	17	4 496 292	4 375 778
Provisions	18	837 124	682 823
		29 938 356	17 138 250
Non-Current Liabilities			
Employee benefit obligation	17	55 555 644	54 148 167
Total Liabilities		85 494 000	71 286 417
Total assets less liabilities		188 659 263	190 026 391
Net Assets			
Accumulated surplus	19	188 659 263	190 026 391

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Rental of facilities and equipment		1 353 066	1 364 158
Income from agency services		48 831	47 598
Interest received - investment		16 657 008	16 152 007
Gains on disposal of assets		213 470	-
Total revenue from exchange transactions		18 272 375	17 563 763
Revenue from non-exchange transactions			
Government grants & subsidies	21	92 582 000	89 310 000
Actuarial gain on post employment medical benefit	17	-	2 816 144
Other revenue	20	1 269 761	1 157 452
Total revenue from non-exchange transactions		93 851 761	93 283 596
Total revenue		112 124 136	110 847 359
Expenditure			
Remuneration of employees	23	(34 464 322)	(32 905 626)
Remuneration of councillors	24	(7 297 600)	(7 148 309)
Depreciation		(1 568 536)	(1 519 088)
Increase in provision for debt impairment		(810 831)	(1 297 089)
Repairs and maintenance		(776 085)	(909 996)
Conditional grant expenditure	22	(2 866 801)	(2 845 442)
Loss on disposal of assets		-	(95 545)
General Expenses	42	(32 356 334)	(28 406 755)
Contracted services		(3 298 473)	(2 484 762)
Discounting of post employment medical benefit		(5 260 705)	(5 390 732)
Other grants and subsidies paid	22	(24 475 767)	(21 441 346)
Impairment		(30 018)	(1 082)
Actuarial loss on post employment medical benefit		(285 792)	-
Total expenditure		(113 491 264)	(104 445 772)
(Deficit) surplus for the year		(1 367 128)	6 401 587

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	182 012 234	182 012 234
Changes in net assets		
Surplus for the year	6 401 587	6 401 587
Infrastructure levies transferred to accumulated surplus	1 612 570	1 612 570
Total changes	8 014 157	8 014 157
Balance at 01 July 2018	190 026 391	190 026 391
Changes in net assets		
Loss for the year	(1 367 128)	(1 367 128)
Total changes	(1 367 128)	(1 367 128)
Balance at 30 June 2019	188 659 263	188 659 263
Note(s)	19	



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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
<u>Cash flows from operating activities</u>			
Receipts			
Grants		92 582 000	89 310 000
Interest income		16 800 379	16 130 021
Other receipts		2 472 136	6 016 532
		<u>111 854 515</u>	<u>111 456 553</u>
Payments			
Employee costs		(41 607 621)	(40 144 809)
Cash paid to suppliers		(25 141 042)	(21 371 550)
Other payments		(25 799 170)	(57 629 115)
		<u>(92 547 833)</u>	<u>(119 145 474)</u>
Net cash flows from operating activities	27	<u>19 306 682</u>	<u>(7 688 921)</u>
<u>Cash flows from investing activities</u>			
Purchase of property, plant and equipment	11	(3 843 740)	(1 041 231)
Proceeds from sale of property, plant and equipment		226 617	69 214
Purchase of other intangible assets	12	-	(1 023 565)
(Increase) / decrease in long term receivables		66 171	9 577
Net cash flows from investing activities		<u>(3 550 952)</u>	<u>(1 986 005)</u>
<u>Cash flows from financing activities</u>			
Repayment of other financial liabilities	17	(4 326 463)	(4 239 348)
(Increase) / decrease in short-term investments		(35 000 000)	(33 000 000)
Movement in long-term infrastructure levies		-	(1 122 570)
Net cash flows from financing activities		<u>(39 326 463)</u>	<u>(38 361 918)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(23 570 733)</u>	<u>(48 036 844)</u>
Cash and cash equivalents at the beginning of the year		56 907 009	104 943 853
Cash and cash equivalents at the end of the year	9	<u>33 336 276</u>	<u>56 907 009</u>

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments and budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance											
Investment revenue	17 800 000	-	17 800 000	-	-	17 800 000	16 657 008		(1 142 992)	94 %	94 %
Transfers recognised - operational	92 582 000	4 510 000	97 092 000	-	-	97 092 000	92 582 000		(4 510 000)	95 %	100 %
Other own revenue	22 165 000	42 289 000	64 454 000	-	-	64 454 000	2 885 128		(61 568 872)	4 %	13 %
Total revenue (excluding capital transfers and contributions)	132 547 000	46 799 000	179 346 000	-	-	179 346 000	112 124 136		(67 221 864)	63 %	85 %
Employee costs	(44 976 000)	198 000	(44 778 000)	-	-	(44 778 000)	(34 464 322)		10 313 678	77 %	77 %
Remuneration of councillors	(8 180 000)	-	(8 180 000)	-	-	(8 180 000)	(7 297 600)		882 400	89 %	89 %
Debt impairment	-	-	-	-	-	-	(810 831)		(810 831)	-	-
Depreciation and asset impairment	(1 700 000)	-	(1 700 000)	-	-	(1 700 000)	(1 568 536)		131 464	92 %	92 %
Transfers and grants	(29 165 000)	(3 459 000)	(32 624 000)	-	-	(32 624 000)	(27 342 568)		5 281 432	84 %	94 %
Other expenditure	(48 526 000)	(43 538 000)	(92 064 000)	-	-	(92 064 000)	(42 007 407)		50 056 593	46 %	87 %
Total expenditure	(132 547 000)	(46 799 000)	(179 346 000)	-	-	(179 346 000)	(113 491 264)		65 854 736	63 %	86 %
Surplus/(Deficit)	-	-	-	-	-	-	(1 367 128)		(1 367 128)	-	-
Surplus/(Deficit) for the year	-	-	-	-	-	-	(1 367 128)		(1 367 128)	-	-

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources											
Total capital expenditure	1 747 000	7 677 000	9 424 000	-	-	9 424 000	3 843 740		(5 580 260)	41 %	220 %
Sources of capital funds											
Internally generated funds	(1 747 000)	(7 677 000)	(9 424 000)	-	-	(9 424 000)	(3 843 740)		5 580 260	41 %	220 %
Cash flows											
Net cash from (used) operating	1 960 000	(1 960 000)	-	-	-	-	19 306 682		19 306 682	-	-
Net cash from (used) investing	1 747 000	7 677 000	9 424 000	-	-	9 424 000	(3 550 952)		(12 974 952)	(38)%	(203)%
Net cash from (used) financing	-	-	-	-	-	-	(39 326 463)		(39 326 463)	-	-
Net increase/(decrease) in cash and cash equivalents	3 707 000	5 717 000	9 424 000	-	-	9 424 000	(23 570 733)		(32 994 733)	(250)%	(636)%
Cash and cash equivalents at the beginning of the year	63 659 000	-	63 659 000	-	-	63 659 000	56 907 009		(6 751 991)	89 %	89 %
Cash and cash equivalents at year end	67 366 000	5 717 000	73 083 000	-	-	73 083 000	33 336 276		39 746 724	46 %	49 %

The actuals presented are on a comparable basis. Refer to Note 41 for explanations on material variances.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of 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.

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

1.1 Presentation currency

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

All figures in the financial statements are rounded up 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 Basis of Preparation

Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the International Financial Reporting Standards and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

Basis of measurement

The financial statements have been prepared on the accrual basis.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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Accounting Policies

1.3 Basis of Preparation (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of the municipality's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements.

Receivables from exchange and non-exchange transactions

Management has assessed the recoverability of the receivables and has raised a provision for doubtful debts to ensure that the amounts disclosed as receivables are recoverable.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

Useful lives

The estimates and associated assumptions are based on the historical experience and management estimations of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management mainly assessed that the estimated useful lives in the prior years, are still estimated to be appropriate.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post Employment Medical Benefit.

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2019 is R60 051 692 (2018: R58 523 945). Further details are provided in Note 17.

Residual values

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management estimation of condition. No changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

1.5 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.

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.

Cost model

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

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

<u>Item</u>	<u>Useful life</u>
Property - land	indefinite
Property - buildings	50 years

Derecognition

Investment property is derecognised (eliminated from the Statement of Financial Position) 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

Gains or losses arising from the derecognition of investment property (difference between carrying amount and net disposal proceeds) are included in surplus or deficit.

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Accounting Policies

1.6 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.

Recognition

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.

Initial measurement

Property, plant and equipment is initially measured at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

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

Where an asset is acquired 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 cost (fair value at acquisition). 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.

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

Depreciation

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

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Accounting Policies

1.6 Property, plant and equipment (continued)

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

<u>Item</u>	<u>Average useful life</u>
Buildings	50
Furniture and fixtures	7 - 15
Motor vehicles	5 - 10
Office equipment	2 - 10
IT equipment	2 - 10
Bins and containers	5 - 10
Specialised vehicles	5 - 20
Specialised plant and equipment	5 - 15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

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

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

Impairment

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

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the 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 of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

Derecognition

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.

Gains and losses

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.

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Accounting Policies

1.7 Intangible assets

An asset is identifiable as an intangible asset when it:

- 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.

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.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

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

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

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.

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

<u>Item</u>	<u>Useful life</u>
Computer software	Indefinite

Intangible assets are derecognised:

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

1.8 Investments

The municipality classifies its investments as "Financial assets at amortised cost".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Financial assets at amortised cost, receivable within 3 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

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.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or loss when the heritage asset is derecognised.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or loss, which shall not be classified out of the fair value through surplus or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an residual interest instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for residual interest investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 Financial instruments (continued)

Impairment of financial assets

Impairment losses are recognised in surplus or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at cost. Subsequent measurement is at amortised cost.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

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

Derecognition:

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 VAT

The municipality accounts for Value Added Tax on the invoice 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 is out of scope for VAT purposes.

VAT is submitted on a monthly basis to SARS.

Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost.

Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

1.12 Grants, transfers and donations

Unconditional grants and receipts

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and 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 asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised. Revenue is recognised and the liability is decreased as the conditions associated with the grant is met.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

1.13 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.

Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Leases (continued)

Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

1.14 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure in terms of the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices B and C.

The standard is not effective in the current year.

1.15 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised cost" and are initially recognized at fair value. Subsequent measurement is at amortised cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.16 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised cost.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

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.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 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.

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

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

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

Provisions are not recognised for future operating deficits.

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

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 is a possible obligation depending on whether some uncertain future event occurs not wholly within the control of the municipality, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29 and 30.

1.19 Revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered.

Income collected on behalf of "third parties" is recognised, at the agreed upon percentage, on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the service level agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Revenue from non-exchange transactions

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the fair value of the asset at the date of acquisition.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

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

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

1.21 Finance costs

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

1.22 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, SBDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expected to be repaid in future; or
- Expected a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

1.23 Comparative information

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and 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.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

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

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.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.27 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.28 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

1.29 Unutilised conditional grants

Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

1.30 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.31 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project, where an award has not yet been made.

1.32 Budget information

The approved budget is prepared on a accrual basis.

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

The Statement of comparison of Budget and Actual Amounts has been included in the annual financial statements. The annual financial statements and the budget are on the same basis of accounting.

1.33 Related parties

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

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

All transactions with related parties are disclosed.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

3. New standards and interpretations

3.1 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 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.

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 July 2019

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

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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:

- 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 July 2019.

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

Notes to the Annual Financial Statements

3. New standards and interpretations (continued)

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.

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 for years beginning on or after 01 July 2019.

The municipality expects to adopt the standard for the first time in the 2019/20 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 July 2019.

The municipality expects to adopt the standard for the first time in the 2019/20 financial statements

4. Receivables from exchange transactions

Accrued Interest	954 714	1 098 085
Accrued Rent	90 558	223 334
Rental	57 960	164 941
Salaries and Wages Debtors	292 983	333 204
Allowance for impairment	(42 165)	(150 122)
	1 354 050	1 669 442

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
4. Receivables from exchange transactions (continued)		
<u>Receivables from exchange transactions past due but not impaired</u>		
Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 15 794 (2018: R 288 430) were past due but not impaired.		
The ageing of amounts past due but not impaired is as follows:		
Over 6 months	-	288 430
<u>Receivables from exchange transactions impaired</u>		
As of 30 June 2019, receivables from exchange transactions of R 42165 (2018: R 150 122) were impaired and provided for.		
The ageing of these receivables is as follows:		
3 to 6 months	14 710	13 735
Over 6 months	27 455	136 387
5. Receivables from non-exchange transactions		
General debtors	2 224 461	2 322 025
Other receivables	96 964	7 294
Prepayments	541 290	531 460
Allowance for impairment	(2 211 767)	(1 292 979)
	<u>650 948</u>	<u>1 567 800</u>
<u>Receivables from non-exchange transactions past due but not impaired</u>		
Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 0 (2018 R 12 694) were past due but not impaired.		
The amount of R12 694 is owed by SANRAL for a property disposed of by the municipality. The property is in the process of being transferred to the purchaser. The municipality would therefore only receive the selling price upon finalisation of the transfer of the property. No impairment was therefore considered necessary on this debtor.		
The ageing of amounts past due but not impaired is as follows:		
over 365 days	-	12 694
<u>Receivables from non-exchange transactions impaired</u>		
As of 30 June 2019, receivables of R 2 211 767 (2018: R 1 292 979) were impaired and provided for.		
The ageing of these receivables is as follows:		
over 180 days	2 211 767	1 292 979

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6. VAT receivable		
Value added taxation	2 818 479	2 340 914
All VAT returns have been submitted by their due dates throughout the year.		
VAT is accounted for on the invoice basis. No discounting was performed.		
7. Deposits paid		
Deposits - Electricity	5 000	5 000
Deposits - Post Office	9 000	9 000
Deposits - Parking Grace Street	1 410	1 410
	15 410	15 410
8. Short-term investments		
All short-term investments that will mature more than 3 months, but less than 12 months after the reporting date, is classified as short-term investments and do not form part of cash and cash equivalents.		
Short-term investments	185 000 000	150 000 000
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	6 100	6 100
Bank balances	3 330 176	900 909
Short-term deposits	30 000 000	56 000 000
	33 336 276	56 907 009
Short-term deposits		
Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.		
No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest. The fair value of cash and cash equivalents approximates their carrying amounts. No cash deposits were ceded as collateral.		
The return on investments for 2019 fluctuated between 7.21% and 8.63%. (2018: 7.25% and 8.65%).		
Short-term investments	-	40 000 000
Call Account Deposits	30 000 000	16 000 000
Total short-term deposits	30 000 000	56 000 000
Allocation of cash and cash equivalents		
Post employment medical benefit	60 051 936	58 523 945
Accrued leave pay	1 511 689	783 342
Unappropriated surplus	(28 227 349)	(2 400 278)
Total	33 336 276	56 907 009

SARAH BAARTMAN DISTRICT MUNICIPALITY

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9. Cash and cash equivalents (continued)

SBDM has the following primary bank account

Bank details	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Limited 32 Govan Mbeki Avenue Port Elizabeth Current Account (Primary account): 1640-000-062	3 330 481	905 204	4 585 571	3 330 176	900 909	3 937 753
ABSA Limited Call Account 9099288999	30 000 000	16 000 000	26 000 000	-	16 000 000	26 000 000
Total	33 330 481	47 490 775	47 490 775	33 330 176	46 838 662	46 838 662

SARAH BAARTMAN DISTRICT MUNICIPALITY

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10. Investment property

	2019		2018	
Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment
12 643 000	(3 278)	12 639 722	12 643 000	(3 278)
				12 639 722

Investment property

Reconciliation of investment property - 2019

Opening balance	12 639 722	Total
		12 639 722

Investment property

Reconciliation of investment property - 2018

Opening balance	12 643 000	Depreciation	(3 278)	Total
				12 639 722

Investment property

No operating expenditure was incurred by the municipality on the Investment Properties during the current and previous financial year.

Investment properties are leased mainly to organs of state and the rentals are not market related. The rental revenue received for the year is R18 163 (2018: R15 803).

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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11. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land - cost	1 754 636	-	1 754 636	1 754 636	-	1 754 636
Buildings - cost	7 246 840	(33 928)	7 212 912	7 246 840	(33 928)	7 212 912
Specialised plant and machinery	2 039 001	(1 436 323)	602 678	2 039 001	(1 346 929)	692 072
Motor vehicles	12 017 468	(5 482 082)	6 535 386	8 327 817	(4 513 497)	3 814 320
Office equipment	4 895 883	(2 757 632)	2 138 251	4 883 639	(2 440 292)	2 443 347
Computer equipment	4 310 328	(3 158 074)	1 152 254	4 097 778	(2 858 921)	1 238 857
Bins and containers	98 988	(72 067)	26 921	98 988	(64 132)	34 856
Total	32 363 144	(12 940 106)	19 423 038	28 448 699	(11 257 699)	17 191 000

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land - cost	1 754 636	-	-	-	-	-	1 754 636
Buildings - cost	7 212 912	-	-	-	-	-	7 212 912
Specialised plant and machinery	692 072	-	-	(89 095)	(299)	-	602 678
Motor vehicles	3 814 320	3 556 557	-	(835 491)	-	-	6 535 386
Office equipment	2 443 348	22 246	(10 002)	(300 998)	(26 328)	9 967	2 138 253
Computer equipment	1 238 857	264 937	(52 389)	(335 017)	(3 391)	39 255	1 152 252
Bins and containers	34 856	-	-	(7 935)	-	-	26 921
Total	17 191 000	3 843 740	(62 391)	(1 568 536)	(30 018)	49 242	19 423 038

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11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluations	Depreciation	Impairment loss	Total
Land - cost	1 754 636	-	-	-	-	1 754 636
Buildings - cost	6 741 521	505 319	-	(33 928)	-	7 212 912
Specialised plant and machinery	760 772	6 692	(7)	(75 385)	-	692 072
Motor vehicles	4 404 339	249 995	(155 984)	(684 030)	-	3 814 320
Office equipment	2 704 264	76 646	(12 231)	(324 250)	(1 082)	2 443 347
Computer equipment	1 453 097	202 579	(26 537)	(390 282)	-	1 238 857
Bins and containers	42 791	-	-	(7 935)	-	34 856
	17 861 420	1 041 231	(194 759)	(1 515 810)	(1 082)	17 191 000

Property, plant and equipment held at cost

The introduction of the new Municipal Chart of Accounts has resulted in a few changes within the property, plant and equipment note. The changes does not specifically require a reclassification as the balance of property, plant and equipment is consistent with the prior year and does not affect presentation on the Statement of Financial Position:

- Furniture and fittings has been consolidated with Office equipment; and
- Specialised vehicles has been consolidated with Motor vehicles.

Therefore, no reclassification was considered necessary.

Pledged as security

No assets were pledged as security during the current and previous year.

Other information

There are no assets on the fixed asset register that are fully depreciated and still in use. All assets that are fully depreciated or impaired are separately located and will be disposed of in terms of a Council resolution.

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

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	2019	2018
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11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

12. Intangible assets

	2019		2018	
Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment
2 540 644	-	2 540 644	2 540 644	-
				2 540 644

Computer software

Reconciliation of intangible assets - 2019

Opening balance	Total
2 540 644	2 540 644

Computer software

Reconciliation of intangible assets - 2018

Opening balance	Additions	Total
1 517 079	1 023 565	2 540 644

Computer software

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12. Intangible assets (continued)

Computer software

CQS Software

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual licence fee is required to operate the template and is expensed annually.

Financial System (APPX)

The financial system was initiated through an annual licence fee with no initial purchase price. The software was then internally developed to meet the financial and other processing and reporting requirements of the municipality. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the cost cannot be measured reliably. The major cost of development of the system was incurred between 1987 and 1989. Subsequently, the major portion of costs to date was incurred for the maintenance of the system. However, costs incurred in the development of this system have not been capitalised to the cost of computer software.

Performance Management System

The performance management system was developed internally with the use of a consultant. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the internal cost cannot be measured reliably. The cost of the consultant however amounted to R258 959. This amount has not been capitalised to the cost of computer software.

SAGE Evolution

The SAGE Evolution System was procured during the year ended 30 June 2017 to ensure that the municipality meets the Municipal Standard Chart of Accounts requirements which was effective from 1 July 2017.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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13. Heritage assets

Cost / Valuation	2019		2018		
	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
16 212 500	-	16 212 500	16 212 500	-	16 212 500

Conservation areas

Reconciliation of heritage assets 2019

Conservation areas

Opening balance	Total
16 212 500	16 212 500

Reconciliation of heritage assets 2018

Conservation areas

Opening balance	Total
16 212 500	16 212 500

Heritage assets held at cost

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

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Figures in Rand	2019	2018
14. Long-term receivables		
Disciplinary action recoveries	162 196	174 196
Study advances	-	54 171
	162 196	228 367

Classified as a financial asset and measured at fair value.

Study advances relates to amounts paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These advances are repaid monthly by the employee, in terms of agreements entered into with the applicable employees, in the event that the employees do not pass their respective modules.

15. Payables from exchange transactions

Accrued annual bonus	578 736	420 090
Accrued expenses	6 199 080	5 311 537
Accrued leave pay *	1 511 689	1 077 968
Employee costs	(1 546)	69 525
Makana Municipality - MIG	11 929 308	1 714 428
Makana Municipality - MIG Interest	2 769 263	2 808 388
Payments in advance - Other	342 434	297 541
Trade payables	1 269 084	363 412
Unidentified deposits	6 892	16 760
	24 604 940	12 079 649

* Not financial instruments.

Normal terms of payment is 30 days and no amortisation was calculated.

Makana Municipality MIG

The municipality received an amount of R36.776 million through the Division of Revenue Act on behalf of Makana Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Makana Municipality to manage the proper disbursement of the current MIG allocation as well as the approved rollover amount. An application for rollover of the balance was made for the prior year to National Treasury by the SBDM. The application in the prior year was approved.

Payments in advance - Other

When the roadworks, emergency medical services and health function was transferred to Province, the municipality was requested to administer the payments to pensioners as the provincial system could not accommodate past employees. An agreement was entered into between the municipality and Province whereby Province would pay the pensioners' annual amount to the municipality and the municipality administers the monthly payment. Included in payments in advance - other is an amount of R341 480 (2018: R164 327) relating to the payments to pensioners.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

The balance for the Unspent conditional grants and receipts for both the current year and prior year is R nil.

See note 21 and 22 for disclosure requirements in terms of section 123 (1) of the MFMA.

A complete list of all conditions are available for viewing at the municipality during office hours.

17. Employee benefit obligations

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

Opening balance	58 523 945	59 864 357
Contributions (benefits) paid	(4 326 463)	(4 239 348)
Current service costs	307 957	324 348
Actuarial loss/(gain)	285 792	(2 816 144)
Interest costs (discounting)	5 260 705	5 390 732
	<u>60 051 936</u>	<u>58 523 945</u>

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	4 496 292	4 375 778
Later than one year, not later than five years	14 330 426	14 624 836
Later than five years	41 225 218	39 523 331
	<u>60 051 936</u>	<u>58 523 945</u>

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

Carrying value

Long-term portion of post-employment medical benefit	(55 555 644)	(54 148 167)
Short-term portion of post-employment medical benefit	(4 496 292)	(4 375 778)
	<u>(60 051 936)</u>	<u>(58 523 945)</u>

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2014/2015	65 388 009
Financial period 2015/2016	62 942 328
Financial period 2016/2017	59 864 357
Financial period 2017/2018	58 523 945
Financial period 2018/2019	60 051 936

Accumulative actuarial gains and losses

Balance at the beginning of the year	(1 114 599)	(3 930 743)
Projected during the year	285 792	2 816 144
	<u>(828 807)</u>	<u>(1 114 599)</u>

SARAH BAARTMAN DISTRICT MUNICIPALITY

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17. Employee benefit obligations (continued)

Post Retirement fund benefits

Employees and council contribute to Cape Joint Retirement Fund on the basis of a fixed contribution, which is expensed.

The municipality's net obligation in respect of post employment medical benefits was calculated by ARCH Actuarial Consulting as at 30 June 2019 and 30 June 2018. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

79 Principle members are currently covered by the fund (2018 : 82 members).

Valuation method

The death in-service benefit is regarded as a post-employment liability under the requirements of the Standards of GRAP 25.

Post-retirement benefits

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to the total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

Accrued defined benefit obligation

The accrued liability is the value of the employer's share of the contribution - based liability.

Current service cost

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

Value assumptions

Rate of interest

Medical aid inflation rate 6.55% p.a.

Investment return 9.04% p.a.

The discount rate was deduced from interest rate data obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019. The corresponding index-linked yield at this term was 3.32% using the discount rate of 9.04% per annum.

A Health Care Cost inflation rate of 6.55% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.05%. A larger differential will be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.34%. The expected inflation assumption of 5.05% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.32%) and those of fixed interest bonds (9.04%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

The next contribution increase was assumed to occur with effect from 1 January 2020.

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

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17. Employee benefit obligations (continued)

Mortality rates

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table. PA (90) ultimate table, adjusted down by one year of age, and a 1% annual compound mortality improvement from 2010.

Average retirement age

The Normal Retirement Age of employees is 65. It has been assumed that in-service members will retire at the age of 62 on average,, which then implicitly allows for expected rates of ill-health, early retirement.

Family profile

It was assumed that female spouses will be 3 years younger than their male counterparts. Further, it was assumed that 60% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Withdrawals

Where an in-service member leaves, the employer's liability in respect of the employee ceases and caution was taken in not overstating the withdrawal rates. The assumed rates are as follows:

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

Medical aid contributions at retirement

It is assumed that all the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

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18. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	202 318	279 398	-	-	481 716
Long service bonus	480 505	355 408	(213 133)	(267 372)	355 408
Balance at end of year	682 823	634 806	(213 133)	(267 372)	837 124

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	49 391	202 318	(57 629)	8 238	202 318
Long service bonus	1 018 933	480 505	(773 693)	(245 240)	480 505
	1 068 324	682 823	(831 322)	(237 002)	682 823

Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators in the performance plans of the Municipal Manager and Directors. The key performance indicators is directly linked to the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval. No performance reviews were conducted for the 2017/18 financial year. Reviews are planned to take place in the 2019/20 financial year and the expected performance bonuses have been included in the provision.

Long service bonus provision

Long service bonuses are calculated based on South African Local Government Association regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

19. Accumulated surplus

The accumulated surplus is reserved for the following purpose:

General	188 659 263	190 026 391
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The cash backed portion of the accumulated surplus is ring fenced for the following purpose:

General	188 659 263	175 026 391
Restructuring grant funds allocated to surplus	-	15 000 000
	188 659 263	190 026 391

SARAH BAARTMAN DISTRICT MUNICIPALITY

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20. Other revenue		
Settlement discount received	27 065	26 573
Contribution from skills development fund	74 359	49 088
Job evaluation fees	1 016 318	1 016 318
Tender deposits	9 217	15 952
Other	142 802	49 521
Total other revenue	1 269 761	1 157 452
21. Government grants and subsidies		
Equitable share	88 342 000	84 825 000
Grant funding - expenditure reimbursement	4 240 000	4 485 000
	92 582 000	89 310 000
Equitable Share		
In terms of the Constitution, this grant is used to finance the operations of the institution.		
DORA		
Current-year receipts	4 240 000	4 485 000
Conditions met - transferred to revenue	(4 240 000)	(4 485 000)
Total Government Grants	-	-
The following conditional grants were received through the DORA allocations during the financial year:		
R1 000 000 - Finance Management Grant (FMG)		
R1 000 000 - Expanded Public Works Programme Grant (EPWPG)		
R2 240 000 - Rural Roads Asset Management Grant		
The conditions of the above grants has been met and the full amounts were transferred to revenue during the year.		
22. Conditional grants expenditure and other grants and subsidies paid		
Under conditional grant expenditure	2 866 801	2 845 442
Under employee costs	470 000	498 058
Under contracted services and general expenses	460 870	659 173
Total conditional grants and subsidies paid	3 797 671	4 002 673
Other grants and subsidies paid		
Sundries	61 697	149 212
Fire services subsidies	8 414 972	6 397 300
Cacadu Development Agency (CDA)	5 500 000	5 400 000
Environmental health subsidies	10 499 099	9 494 834
Total other grants and subsidies paid	24 475 768	21 441 346

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Figures in Rand	2019	2018
23. Employee costs		
Remuneration of employees	34 464 322	32 905 626
Remuneration of Councillors (Refer Note 24)	7 297 600	7 148 309
Total Employee Costs	41 761 922	40 053 935

The remuneration of employees are determined in accordance with the task grade and the applicable notch allocated to the employees in their positions. The municipality is graded as a Category 5 municipality which effects the remuneration ranges of positions of employees. The municipality operates in accordance with the Collective Agreements entered into between the municipality and Bargaining Council.

Set out below are the details for remuneration paid to Directorate Heads (included in remuneration of employees):

Remuneration of Municipal Manager

Annual remuneration	1 210 664	1 210 273
Car allowance	156 000	156 000
Travel and Subsistence claims	75 501	55 134
Acting allowance	23 406	46 811
	1 465 571	1 468 218

Mr DM Pillay was seconded to Makana Local Municipality for a period of 1 month during the current financial year and was paid an Acting allowance which was approved by Council.

Remuneration of the Director Finance and Corporate Services

Annual remuneration	999 356	1 007 809
Car allowance	120 000	120 000
Performance bonuses	-	57 629
Travel and Subsistence claims	58 896	58 150
Acting allowance	-	63 314
	1 178 252	1 306 902

Mr RN Lorgat was appointed on 1 September 2016 as Director: Finance and Corporate Services for a period of 7 years.

Remuneration of the Director Infrastructure Development and Community Services

Annual Remuneration	997 732	466 654
Car Allowance	120 000	60 000
Travel and Subsistence claims	16 639	9 361
	1 134 371	536 015

Ms T Betha was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The prior year remuneration therefore reflects a period of 6 months only.

Remuneration of the Director Economic Development and Planning

Annual remuneration	998 343	467 909
Car allowance	120 000	60 000
Travel and subsistence claims	59 219	33 291
Acting Allowance	38 944	17 779
	1 216 506	578 979

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23. Employee costs (continued)

Ms U Daniels was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The prior year remuneration therefore reflects a period of 6 months only.

24. Remuneration of councillors

Executive Mayor	929 713	915 385
Speaker	742 162	715 594
Portfolio Councillors: Special Programmes	691 210	630 235
Portfolio Councillor: Finance	704 352	665 584
Portfolio Councillor: Corporate Services	621 980	-
Portfolio Councillor: Infrastructure Development and Community Services	691 935	677 817
Portfolio Councillor: Planning and Economic Development	706 855	680 297
Portfolio Councillor: Tourism	-	665 584
Councillors (23)	2 209 393	2 197 813
	<u>7 297 600</u>	<u>7 148 309</u>

In-kind benefits

The Executive Mayor and the Mayoral committee members are full time Councillors and are provided with offices and secretarial support at the cost of the Council. The salaries, allowances and benefits of councillors of the municipality are within the upper limits of the framework envisaged in section 219 of the Constitution.

The Executive Mayor and Speaker have the use of a council owned vehicle for official duties.

The disclosed amounts relates directly to the amount paid to the Councillors allocated to the specific Portfolios.

SARAH BAARTMAN DISTRICT MUNICIPALITY

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25. Financial instruments - financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2019

	Financial assets at amortised costs	Total
Receivables from exchange transactions	1 354 050	1 354 050
Receivables from non-exchange transactions	650 948	650 948
Deposits paid	15 410	15 410
Cash and cash equivalents	33 336 276	33 336 276
Short-term investments	185 000 000	185 000 000
	220 356 684	220 356 684

2018

	Financial assets at amortised costs	Total
Receivables from exchange transactions	1 669 442	1 669 442
Receivables from non-exchange transactions	1 567 800	1 567 800
Deposits paid	15 410	15 410
Cash and cash equivalents	56 907 009	56 907 009
Short-term investments	150 000 000	150 000 000
	210 159 661	210 159 661

26. Financial instruments: financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2019

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	23 093 251	23 093 251

2018

	Financial liabilities at amortised cost	Total
Payables from exchange transactions	11 001 681	11 001 681

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Cash generated from (used in) operations		
(Deficit) surplus	(1 367 128)	6 401 587
<u>Adjustments for:</u>		
Depreciation	1 568 536	1 519 088
(Gain)/Loss on disposal of property, plant and equipment	(213 470)	95 545
Discounting of post employment medical benefit obligation	5 260 705	5 390 732
Impairment	30 018	1 082
Debt impairment	810 831	1 297 089
Contributions to provisions	154 302	(385 501)
Service costs	307 957	324 348
Prior year corrections	-	345 481
Loss/(Gain) on actuarial valuation for post employment medical benefits	285 792	(2 816 144)
<u>Changes in working capital:</u>		
Receivables from exchange transactions	(1 936)	48 285
Receivables from non-exchange transactions	423 349	880 017
Payables from exchange transactions	12 525 291	(23 192 186)
VAT receivable	(477 565)	2 401 656
	19 306 682	(7 688 921)
28. Finance Leases		
The municipality had no external loans in the form of finance leases during the current year.		
29. Contingent liabilities		
A possible liability exists in respect of a claim made against the municipality by the Sunday's River Valley Contractors Association for monies on a housing project that was completed. The matter is being defended.	200 000	200 000
	200 000	200 000
30. Contingent assets		
The municipality has no contingent assets in the current and previous financial years.		
31. Unauthorised expenditure		
No unauthorised expenditure was incurred in the current and previous financial years.		
32. Additional disclosure in terms of Municipal Finance Management Act		
<u>Contributions to organised local government</u>		
Opening balance	(531 460)	(511 010)
Council subscription	531 460	511 010
Amount paid in advance for the following year	(514 226)	(531 460)
Amount paid in advance (included in receivables)	(514 226)	(531 460)
<u>External Audit fees</u>		
Current year audit fee	3 993 402	2 867 043
Audit Planning fees for the following year	-	1 128 664
Amount paid - current year	(3 993 402)	(3 995 707)
	-	-

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
32. Additional disclosure in terms of Municipal Finance Management Act (continued)		
<u>PAYE, UIF and SDL</u>		
Opening balance	287 559	175 391
Current year payroll deductions	9 656 889	8 269 020
Amount paid - current year	(9 368 460)	(8 156 852)
	575 988	287 559
<u>Pension and Medical Aid Deductions</u>		
Current year payroll deductions and Council Contributions	17 627 134	9 075 510
Amount paid - current year	(17 627 134)	(9 075 510)
	-	-

33. In-kind donations and assistance

No donations have occurred during the current year.

34. Risk management

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.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included, as the municipality is not exposed to foreign exchange risk. The municipality does not enter into any foreign exchange transactions and since the municipality effects payments on presentation of invoices, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	23 093 251	-	-	-

Interest rate risk

The current account and the call account expose the municipality to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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34. Risk management (continued)

Should the prime rate vary by 1% in either direction, the effect on the cash balance would be R1.9 million in either direction.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding receivables. Management believes that the allowance for impairment adequately addresses the credit risk involved.

35. Events after the reporting date

Management is not aware of any events after the reporting date.

36. Compliance with the Municipal Finance Management Act

The municipality has implemented additional controls to ensure compliance with the MFMA. The area of concentration during the current and previous year was the revised Supply Chain Management Regulations which became effective during the prior year. The municipality has improved the controls during the current and prior year to ensure compliance with the policy and regulations. The controls have been implemented and are being implemented and monitored.

The municipality was also required to effectively implement the new Municipal Standard Chart of Accounts (mSCOA) from 1 July 2017. The implication of complying with mSCOA is that the municipality was required to procure a new Enterprise Resource Planning (ERP) system to ensure that all transactions meet the requirements of the new Chart of Accounts.

Management is not aware of any other non-compliance by the municipality that would require disclosure in the financial statements.

37. Irregular expenditure

Opening balance	320 518	2 974 226
Add: Irregular Expenditure - current year	1 400 079	308 518
Less: Expenditure certified as irrecoverable / written off by Council	(173 089)	(2 962 226)
	1 547 508	320 518

Details of irregular expenditure

Bids awarded that did not comply with supply chain management regulations	1 400 079	308 518
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SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019 2018

38. Related parties

Cacadu District Development Agency

The wholly-owned municipal entity, Cacadu District Development Agency (CDDA) continued its operations in the current year.

The municipality has provided the CDDA with an unconditional grant of R5 500 000 (2018: R5 400 000) to fund the operations of the Agency.

There were no other transactions between the municipality and CDDA.

Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R5 319 920 (2018: R5 319 920)

Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of the municipality: Executive Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager and Directors

Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

<u>Employee</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr R Lorgat	RNL Business & Property Consultants RNL Investments (Pty) Ltd	None None
Mr M Bendle	Win Win Solutions Karridene 100 Project for Conflict Resolution and Development	None None None
Mr L Madlakana	Gxothindlala Construction	None
Mrs G David	Jumpstart CC	None
Mr E Goliath	CHED Holdings	None

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

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38. Related parties (continued)

Councillor	Entity Name	Transactions
Mr V S Stuurman	Agriculture	None
	Mining Interest	None
Mr R M J Gailey	CRH Holdings (Pty) Ltd	None
	Ranger Property Holdings (Pty) Ltd	None
	Melro Farming & Trading Trust	None
	Fair Game Safaris	None
	Rory Gailey Family Trust	None
Mr FJ Yakes	Beneficiary of farm under the trust	None
Mr DJ Bezuidenhout	Sakkies Housing Development	None
	Longfield Trust	None
Mr ML van Niekerk	Shares in Bunker Hills (Pty) Ltd	None
	Redoing Jbay	None
Mr J Britz	50% Shareholding in Klepersol 17 Property	None
	Development	None
	Britz Attorneys	None
Mr M Dayimani	Tin Heaven Charity Organisation	None
	Dayimani Initiatives (Pty) Ltd	None

Awards to close family members of persons in the service of the state

Supplier Name	Name	Relation to Supplier	Award
Mindspring Computing cc	W Khan	Spouse (R Loghduy)	R 25 603,82
Razz Matazz Business Solutions	Signoria Phumeza Madlakana	Spouse (L Madlakana)	R 8 500,00
Grahamstown Home Builders	D F Gqamana	Spouse (T Gqamana)	R 600 000,00
Quest Staffing Solutions (Pty) Ltd	N S Ndhrazi	Spouse (T Ndhrazi)	R 1 798,60
Ebusha General Trading (Pty) Ltd		Daughter (N Yankey)	R 21 258,79

39. Change in estimate

Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain computer equipment, office equipment and furniture and fittings' remaining useful lives being adjusted based on the condition of the assets. The residual values of the assets have also been reassessed and adjusted where necessary. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 273 053 for the current period (2018: R 61 649). The effect on future periods could not reasonably be determined.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
40. Fruitless and wasteful expenditure		
Opening balance	23 575	320 387
Current year	8 517	-
Less: Expenditure certified as irrecoverable / written off by Council	(2 375)	(296 812)
	29 717	23 575

Details of fruitless and wasteful expenditure:

On 28 August 2019, the Council resolved that an amount of R4 500 is recoverable.

An amount of R4 017 relates to accommodation not utilised, which has been submitted to Council for investigation.

41. Budget differences

Material differences between budget and actual amounts

Variances in the budgeted amounts and the actual amounts are considered material when the actual amount is more than 10% lower than the budgeted amount for both revenue and expenditure as well as where revenue exceeds 5% of the budgeted amount.

The material variances are as follows:

Other own revenue

Based on the principles of budgeting, this area is utilised to fund the budget of the municipality and therefore the budgeted amount is high. The amount reflected in the financial statements is however only the actual other revenue received during the year. The variance therefore relates to the portion utilised to balance the revenue budget from accumulated surplus.

Employee costs

The variance of 33% was attributable to vacancies. This has resulted in savings in employee related costs.

Transfers and grants

The variance of 16% was attributable to a portion of the fire subsidy not being paid over to the local municipalities who did not meet the conditions set out in the service level agreements entered into.

Other expenditure

The variance of 54% is mainly due to under-expenditure on own-funded projects. Other factors that contributed to the variance are cost-savings on operational activities, as well as instances of over-estimation of budgets on projects.

Capital expenditure

The variance of 59% is mainly due assets that were awarded at year end but was not yet received. The expenditure will thus only be reflected in the following financial year.

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
42. General expenses		
Advertising and promotions	1 972 140	1 299 504
Auditors fees	3 561 074	3 589 465
Catering	1 356 759	948 558
Congress and visits	2 894 070	2 183 797
General - other	1 730 768	1 273 019
Insurance	442 148	408 374
Legal expenses	73 953	500 274
Licences	921 293	879 861
Fuel and oil	1 052 862	801 570
Printing and stationery	1 003 132	898 904
Publications	647 990	607 772
Project costs	13 560 490	12 247 508
Subscriptions	636 613	637 272
Telephone and fax	296 233	486 546
Training and development	1 189 898	638 039
Utilities	1 016 911	1 006 292
	32 356 334	28 406 755

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
43. Commitments		
<u>Capital expenditure</u>		
Approved and contracted for	1 037 000	762 058
This committed expenditure relates to capital assets and will be financed by retained surpluses		
<u>Non-capital expenditure</u>		
Approved and contracted for	5 493 307	17 032 816
This non-capital expenditure relates to other commitments and will be financed by conditional grants and retained surpluses.		
The municipality has additional commitments with service providers which were awarded on a rate basis and budget availability. These additional commitments are related to services for Vehicle Maintenance, Fuel Cards and Tracking Services, Short Term Insurance, Advertising services, financial services support to local municipalities and travel agency services. The value of these commitments cannot be quantified as the commitment is only raised upon the usage of the services.		
<u>Operating leases - as lessor (income)</u>		
<u>Minimum lease payments due</u>		
- within one year	919 718	1 714 900
- from second to fifth year inclusive	434	851 650
- later than five years	102	103
	<u>920 254</u>	<u>2 566 653</u>

SARAH BAARTMAN DISTRICT MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

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43. Commitments (continued)

Certain of the municipality's land and buildings is held to generate rental income. Lease agreements have terms ranging from 6 months and not exceeding 10 years. There are no contingent rents receivable.

Most of the land and buildings are leased to organs of state and are leased at below market-related rental values. These leases are entered into either to assist the organs of state in their operations or to promote and stimulate economic activity within the Sarah Baartman District area. These rental revenues therefore translates to approximately only 3% of the total rental revenue of the municipality.

The ground floor of the municipal office building is leased to Standard Bank for a period of 5 years. The rental revenue received from this arrangement approximates 96% of the total rental revenue of the municipality.

The following leases were entered into with individuals and entities that are not organs of state and were charged below market-related rentals:

D Cannon - The Council resolved to lease the private dwelling in Alexandria on a temporary basis. The intention of Council was that the occupation of the dwelling would prevent vandalism whilst the Council is assessing the future use of the property.

P Tieman - The Council resolved to lease the depot in Jansenville for the premises to be utilised as a bodyshop. This decision was taken to assist the individual in establishing a business which is intended to promote economic development in the area.

Siyahluma Gardening Project Primary Co-operative Ltd - The Council resolved to lease a 10ha portion of land in Addo to the Co-operative. This decision was taken to assist the Co-operative in establishing a business which is intended to promote economic development in the area.

ANC Parliamentary Constituency Fund - The Council resolved to lease a building in Hankey (previously used as a clinic) to be utilised as office premises. The intention of Council was that the occupation of the building would prevent vandalism and ensure that the building is maintained by the lessee.

44. Deviations

The following deviations from the supply chain management policy were approved by the Accounting Officer during the financial year:

<u>Reasons</u>	2019	2018
Emergency	600 000	38 187
Goods or services are produced or available from a single supplier	1 254 440	1 045 529
In any other exceptional case where it is impractical to follow supply chain processes	3 117 925	1 171 883
	<u>4 972 365</u>	<u>2 255 599</u>

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements
Figures in Rand

45. Conditional grants and receipts

	UNSPENT BALANCE 30 JUNE 2018 RAND	CONTRIBUTIONS/ ADJUSTMENTS RAND	INTEREST ALLOCATED RAND	VALUE ADDED TAXATION RAND	CURRENT YEAR RECEIPTS RAND	TRANSFER TO REVENUE RAND	CAPITAL EXPENDITURE RAND	UNSPENT BALANCE 30 JUNE 2019 RAND
FINANCE MANAGEMENT GRANT	-	-	-	(69,130)	1,000,000	(930,870)	-	-
RURAL ROADS ASSET MANAGEMENT GRANT	-	-	-	(292,164)	2,240,000	(1,947,836)	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	(81,034)	1,000,000	(918,966)	-	-
	-	-	-	(442,328)	4,240,000	(3,797,672)	-	-

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements
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46. Disclosure of Grants And Subsidies in terms of Section 123 Of MFMA, 55 of 2003

Name of Grant	Name of Organ of state	2018/2019						2018/2019						Reason for Comply to DORA Y/N	Reason	
		Sept		June		Quarterly Receipts		Quarterly Expenditure		June		Grants and Subsidies Delayed / Withheld				
		Rand	Rand	Rand	Rand	Dec	Mar	Dec	Mar	Rand	Rand	Rand	Rand			
FINANCE MANAGEMENT GRANT	National Government	1,000,000	-	-	-	282,005	162,119	439,366	116,510	-	-	-	-	N/A	YES	N/A
RURAL ROADS ASSET MANAGEMENT GRANT	National Government	1,568,000	-	-	-	672,000	-	80,245	2,159,755	-	-	-	-	N/A	YES	N/A
EXPANDED PUBLIC WORKS PROGRAMME	National Government	250,000	450,000	300,000	-	-	246,306	141,967	611,727	-	-	-	-	N/A	YES	N/A
		2,818,000	450,000	872,000	-	282,005	408,425	661,578	2,837,892	-	-	-	-			

SARAH BAARTMAN DISTRICT MUNICIPALITY
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

47. Summary of Investment Accounts

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2018/2019	BALANCE 30 JUNE 2019
NEDBANK	7881501480000151	7	7.63%	08-Dec-17	09-Jul-18	13,000,000	
ABSA GROUP	2077219377	9	7.98%	08-Dec-17	04-Sep-18	27,000,000	
STANDARD BANK	088430537203	6	7.61%	24-May-18	26-Nov-18	15,000,000	
ABSA GROUP	2077814028	4	7.21%	05-Oct-18	05-Feb-19	10,000,000	
ABSA GROUP	2077539808	9	7.66%	24-May-18	25-Feb-19	20,000,000	
STANDARD BANK	088430537204	12	7.91%	24-May-18	23-May-19	36,000,000	
ABSA GROUP	2077539824	12	7.86%	24-May-18	23-May-19	10,000,000	
FNB	74661534302	12	7.76%	24-May-18	23-May-19	33,000,000	
NEDBANK	7881501480000152	12	7.65%	24-May-18	23-May-19	21,000,000	
INVESTEC	JB9768538	12	8.00%	24-May-18	23-May-19	15,000,000	
CASH AND CASH EQUIVALENTS							0
ABSA GROUP	2077814361	12	8.15%	05-Oct-18	04-Oct-19		8,000,000
FNB	74575507924	12	8.21%	05-Oct-18	04-Oct-19		12,000,000
NEDBANK	7881501480000153	12	8.63%	05-Oct-18	04-Oct-19		15,000,000
INVESTEC	JA10058181	9	7.60%	28-May-19	25-Feb-20		15,000,000
STANDARD BANK	088430537205	12	8.30%	27-Mar-19	25-Mar-20		13,000,000
ABSA GROUP	2078343721	12	8.26%	27-Mar-19	25-Mar-20		34,000,000
STANDARD BANK	088430537206	12	7.93%	28-May-19	26-May-20		33,000,000
ABSA GROUP	2078490364	12	7.91%	28-May-19	26-May-20		7,000,000
FNB	74812884150	12	7.93%	28-May-19	26-May-20		29,000,000
NEDBANK	7881501480000154	12	7.93%	28-May-19	26-May-20		19,000,000
SHORT TERM INVESTMENTS							185,000,000
BALANCE 30 JUNE 2019							185,000,000

SARAH BAARTMAN DISTRICT MUNICIPALITY
APPENDIX A

June 2019

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2019

	Cost/Revaluation			Accumulated Depreciation						
	Opening Balance Rand	revaluations Rand	Additions	Disposals/ transfers Rand	Closing Balance Rand	Depreciation Rand	Dopr on Disposl Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
Land										
Investment Property	6,082,500.00	-	-	-	6,082,500.00	-	-	-	-	6,082,500.00
PPE	1,754,636.37	-	-	-	1,754,636.37	-	-	-	-	1,754,636.37
Heritage	13,765,000.00	-	-	-	13,765,000.00	-	-	-	-	13,765,000.00
Buildings										
Investment Property	6,560,500.00	-	-	-	6,560,500.00	3,277.78	-	-	3,277.78	6,557,222.22
PPE	7,246,840.22	-	-	-	7,246,840.22	33,927.57	-	-	33,927.57	7,212,912.65
Heritage	2,447,500.00	-	-	-	2,447,500.00	-	-	-	-	2,447,500.00
Furniture and Fixtures										
PPE	2,354,651.31	-	16,425.63	7,348.56	2,363,728.38	106,574.80	-7,335.56	20,799.45	1,428,544.03	935,184.35
Specialised Vehicles										
PPE	275,158.78	-	-	-	275,158.78	4,896.91	-	-	207,471.46	67,687.32
Office Equipment										
PPE	2,528,988.23	-	5,820.02	2,653.44	2,532,154.81	194,423.31	-2,651.44	5,529.20	1,329,087.77	1,203,067.04
Computer Equipment										
Intangible Asset	2,540,644.33	-	-	-	2,540,644.33	-	-	-	-	2,540,644.33
PPE	4,097,778.15	-	284,937.37	52,387.10	4,310,328.42	2,858,921.38	-39,254.58	3,390.84	3,158,074.58	1,152,253.84
Bins and Containers										
PPE	98,987.74	-	-	-	98,987.74	7,935.00	-	-	72,066.98	26,920.76
Motor Vehicles										
PPE	8,052,658.31	-	3,556,556.57	-	11,609,214.88	830,594.20	-	-	5,141,516.49	6,467,698.39
Specialised Plant and Machinery										
PPE	2,039,000.56	-	-	-	2,039,000.56	89,095.21	-	299.03	1,436,323.00	602,677.56
	59,844,844.00	-	3,843,739.59	62,389.10	63,626,194.49	1,588,536.37	-49,241.58	30,018.52	12,848,735.78	50,815,904.83

The Fixed Asset Register has been reviewed and reconciled to the General Ledger

Name: _____ Sign: _____ Date: _____

SARAH BAARTMAN DISTRICT MUNICIPALITY
APPENDIX B

June 2019

SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2019

	Cost / Revaluations		Accumulated Depreciation									
	Opening Balance 01 July 2018	Revaluation	Additions	Impairment	Disposals	Closing Balance 30 June 2019	Opening Balance 01 July 2018	Depreciation	Depr on Disposal	Impairment	Closing Balance	Carrying Value 30 June 2019
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive and Council	4,421,469	-	8,920	-	29,431	4,400,959	1,905,024	594,456	21,551	(5,585)	2,483,513	1,917,445
Finance and Admin	47,612,550	-	3,830,771	-	20,754	51,422,567	4,216,300	601,075	19,430	(13,979)	4,811,924	46,610,643
Housing	7,181	-	-	-	-	7,181	6,500	234	-	-	6,734	448
Planning and Development	3,363,394	-	4,049	-	9,800	3,357,642	1,861,903	199,815	5,866	(7,023)	2,062,875	1,294,767
Public Safety	4,436,712	-	-	-	2,403	4,434,309	3,268,111	172,811	2,395	(3,431)	3,441,958	992,351
Water	3,537	-	-	-	-	3,537	3,138	147	-	-	3,285	252
Total	59,844,844	-	3,843,740	-	62,388	63,626,195	11,260,976	1,568,536	49,242	-30,019	12,810,289	50,815,906

SARAH BAARTMAN DISTRICT MUNICIPALITY
UNAUDITED APPENDIX C

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	2018		2019		2019 Actual Expenditure Rand	2019 Surplus/ (Deficit) Rand
	Actual Income Rand	Actual Expenditure Rand	Actual Income Rand	Actual Expenditure Rand		
	-	10,617,761	442,328	24,972,938	(24,530,609)	
Executive and Council	108,001,916	44,276,704	110775988	38,403,334	72,372,654	
Finance and Administration	884,916	18,770,103		18,778,774	(18,778,774)	
Planning and Development	-	10,966,944		11,930,221	(11,930,221)	
Health	-	43,463		5,681,352	(5,681,352)	
Community and Social services	-	644,455			-	
Housing	-	15,870,610		10,913,263	(10,913,263)	
Public safety	-	-			-	
Sport and Recreation	-	-			-	
Road Transport	1,960,526	2,707,835	918,966	1,947,836	(1,028,870)	
Water	-	547,897		876,694	(876,694)	
Total	110,847,358	104,445,772	112,137,283	113,504,411	(1,367,129)	