FEZILE DABI DISTRICT MUNICIPALITY

(Municipal Dermarcation Number: DC20)
Annual Financial Statements
for the year ended 30 June 2019

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Abbreviations

AIDS	: Acquired Immune Deficiency Syndrome
DBSA	: Development Bank of South Africa
DWS	: Department of Water and Sanitation
EHS	: Environmental Health Services
EPWP	: Expanded Public Works Program
FDDM	: Fezile Dabi District Municipality
GRAP	: Generally Recognised Accounting Practice
HIV	: Human Immunodeficiency Virus
IAS	: International Accounting Standards
IDP	: Integrated Development Plan
INEP	: Integrated National Electrification Programme
LED	: Local Economic Development
MIG	: Municipal Infrastructure Grant
MEC	: Member of the Executive Council
MFMA	: Municipal Finance Management Act
MMC	: Member of the Mayoral Committee
MPAC	: Municipal Public Accounts Committee
RRAMS	: Rural Roads Asset Management System
SALGA	: South African Local Government Association

GENERAL INFORMATION

Legal form of entity	Municipality
Domicile	South Africa
Nature of business and principal activities	Fezile Dabi is a district municipality performing the functions as set outin the constitution (Act No.108 of 1998)
Accounting Officer	ML Molibeli
Chief Financial Officer	J Reyneke (Acting)
Mayoral Committee	
Executive Mayor	Cllr AM Oliphant (July - October)
	Cllr Moshodi (November - June)
Speaker	Cllr Khubeka
Councillors (Full-time)	Cllr V De Beer
	Cllr SV Khiba
	Cllr J Mareka
	Cllr MM Modikoe
	Cllr MA Mosia
	Cllr G NKethu
Councillors (Part-time)	Cllr KL Khunyedi
	Cllr AR Majoe
	Cllr MA Mosia
	Cllr MJ Msimanga
	Cllr F Scoltz
	Cllr S Setungoane
	Cllr K Thulo
Registered office	John Vorster Road
	Sasolburg
	1947
Postal address	P.O Box 10
	Sasolburg
	1947
Bankers	ABSA
Auditors	The Auditor General of South Africa
Attorneys	Peyper Attorneys Inc
	Ponoane Attorneys
	Vusi Rajuili Commercial Law Company
	Advocate R Schmidt
Grading of local authority	Grade 1 - Low Capacity Municipality
Municipal dermacation code	DC20

ACCOUNTING OFFICER' 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 was 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.

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

I am 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 deficit.

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

The municipality is wholly dependent on the community for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality. Although I am primarily responsible for the financial affairs of the municipality, I am supported by the municipality's external auditors.

I would like to bring the following matters to your attention:

I certify that salaries, allowances and benefits of councillors as disclosed in note 18 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 4 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 07 October 2019 and were signed by:

Ms. ML Molibeli
Municipal Manager

STATEMENT OF FINANCIAL POSITION

Figures in R	Notes	2019	2018 Re-stated
ASSETS			
Non-current assets			
Property, plant and equipment	3	203,322,600	179,756,286
Intangible assets	3	3,145,048	3,340,298
Total non-current assets		**206,467,648**	**183,096,584**
Current assets			
Inventories	4	38,197	-
Trade and other receivables from Exchange transactions	5	464,133	359,298
Trade and other receivables from Non-exchange transactions	5	584,538	14,469,505
Cash and cash equivalents	6	92,138,455	89,750,324
Total current assets		**93,225,323**	**104,579,127**
Total assets		**299,692,971**	**287,675,711**
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	9	25,737,000	23,239,000
Current liabilities			
Trade and other payables from Exchange transactions	7	15,979,422	21,046,743
Trade and other payables from Non-exchange transactions	7	5,518,709	11,942,524
Finance lease obligations	8	-	2,049,954
Total current liabilities		**21,498,131**	**35,039,221**
Total liabilities		**47,235,131**	**58,278,221**
Net Assets		**252,457,840**	**229,397,490**
Reserves			
Accumulated surplus		247,885,194	223,818,537
Revaluation reserve		4,572,646	5,578,953
Total Net Assets		**252,457,840**	**229,397,490**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in R	Notes	2019	2018 Re-stated
Revenue			
Revenue from exchange transactions			
Other Income	10	981,588	9,865,722
Interest Received	11	7,902,345	7,150,136
Actuarial Gain	12	178,000	1,892,000
Total Revenue from exchange transactions		**9,061,933**	**18,907,858**
Revenue from non-exchange transactions			
Grants and subsidies	13	155,781,782	166,423,545
Donations received	14	44,645,948	21,259,490
Total Revenue from non-exchange transactions		**200,427,730**	**187,683,035**
Total Revenue		**209,489,663**	**206,590,893**
Expenditure			
Employee related costs	15	97,046,926	94,447,227
Remuneration of Councillors	16	7,630,827	6,831,269
Repairs and maintenance	17	1,814,804	998,625
Other expenses	18	34,660,879	32,543,758
Grants and subsidies paid	19	2,188,000	2,183,000
Depreciation and amortisation	20	5,665,248	4,768,891
Finance Costs	21	2,960,083	3,520,346
Bursaries	22	1,365,626	1,941,220
Insurance	23	446,883	422,253
Rentals	24	434,248	366,490
Donations	25	24,671,804	-
Total Expenditure		**178,885,328**	**148,023,079**
Surplus for the year		**35,657,880**	**59,829,600**

STATEMENT OF CHANGES IN NET ASSETS

Figures in R	Revaluation reserve	Accumulated surplus	Total net asset
Balance at 1 July 2017 as previously reported	11,997,563	164,865,274	176,862,837
Changes in Net Assets:			-
Surplus for the year	-	8,958,035	8,958,035
Revaluation of properties	2,834,198	-	2,834,198
Total changes	2,834,198	8,958,035	11,792,233
Opening as previously reported	**14,831,761**	**173,823,309**	**188,655,070**
Adjustments:	-	-	-
Prior year adjustments	(9,252,808)	49,995,228	40,742,420
Balance at 01 July 2018 Re-stated	**5,578,953**	**223,818,537**	**229,397,490**
Changes in Net Assets:			-
Surplus for the year	-	35,657,880	35,657,880
Prior year adjustments		(12,597,530)	(12,597,530)
Revaluation reserve realised	(1,006,307)	1,006,307	-
Balance at 30 June 2019	**4,572,646**	**247,885,194**	**252,457,840**

STATEMENT OF CASH FLOWS

Figures in R	Note	2019	2018 Re-stated
Cash flows from operations			
Cash receipts		164,534,724	174,613,114
Cash paid to suppliers and employees		148,752,085	143,254,188
Net cash flows from operations		**15,782,639**	**31,358,926**
Finance costs		(2,960,083)	(3,520,346)
Net cash flows from operating activities		**12,822,556**	**27,838,580**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(1,817,768)	(463,290)
Purchase of intangible assets		(68,300)	-
Cash flows used in investing activities		**(1,886,068)**	**(463,290)**
Cash flows used in financing activities			
Movement of Changes in Net Current Assets		(8,548,357)	(5,545,769)
Cash flows used in financing activities		**(8,548,357)**	**(5,545,769)**
Net increase in cash and cash equivalents		**2,388,131**	**21,829,522**
Cash and cash equivalents at beginning of the year		89,750,324	67,920,802
Cash and cash equivalents at end of the year	**6**	**92,138,455**	**89,750,324**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Interest received	8,837,160	(1,837,160)	**7,000,000**	7,902,345	**902,345**	39.2
Other income	1,012,000	(512,000)	**500,000**	981,588	**481,588**	39.1
Acturial Gains	-	-	**-**	178,000	**178,000**	39.3
Total revenue from exchange transactions	**9,849,160**	**(2,349,160)**	**7,500,000**	**9,061,933**	**1,561,933**	
Revenue from non-exchange transactions						
Grants and subsidies	152,376,000	8,904,000	**161,280,000**	155,781,782	**(5,498,218)**	39.4
Donations	-	-	**-**	44,645,948	**44,645,948**	39.5
Total revenue from non-exchange transactions	**152,376,000**	**8,904,000**	**161,280,000**	**200,427,730**	**39,147,730**	
Total revenue	**162,225,160**	**6,554,840**	**168,780,000**	**209,489,663**	**40,709,663**	
Expenditure						
Employee related costs	(99,703,900)	2,011,865	**(97,692,035)**	(97,046,926)	**(645,109)**	39.6
Remuneration of councillors	(7,787,000)	(78,000)	**(7,865,000)**	(7,630,827)	**(234,173)**	
Repairs and maintenance	(2,651,000)	(784,000)	**(3,435,000)**	(1,814,804)	**(1,620,196)**	39.6
Other expenses	(36,078,260)	(5,825,110)	**(41,903,370)**	(34,660,879)	**(7,242,491)**	39.8
Grants and subsidies	(4,260,000)	(4,405,178)	**(8,665,178)**	(2,188,000)	**(6,477,178)**	39.9
Depreciation and amortisation	(3,500,000)	(1,357,580)	**(4,857,580)**	(5,665,248)	**807,668**	39.10
Finance costs	(1,540,000)	1,460,000	**(80,000)**	(2,960,083)	**2,880,083**	39.11
Bursaries	(4,900,000)	1,060,000	**(3,840,000)**	(1,365,626)	**(2,474,374)**	39.12
Insurance	(140,000)	-	**(140,000)**	(446,883)	**306,883**	39.13
Rentals	(356,000)	33,000	**(323,000)**	(434,248)	**111,248**	39.14
Donations	-	-	-	(24,671,804)	**24,671,804**	39.15
Total expenditure	**(160,916,160)**	**(7,885,003)**	**(168,801,163)**	**(178,885,328)**	**10,084,165**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1,309,000**	**(1,330,163)**	**(21,163)**	**30,604,335**	**50,793,828**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on accrual basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Financial Position						
Assets						
Non-Current Assets						
Property, plant and equipment	27,132,000	-	**27,132,000**	203,322,600	**(176,190,600)**	39.16
Intangible assets	150,000	-	**150,000**	3,145,048	**(2,995,048)**	
	27,282,000	**-**	**27,282,000**	**206,467,648**	**(179,185,648)**	
Current Assets						
Inventory	-	-	-	38,197	**(38,197)**	39.17
Trade and other receivables	9,350,000	-	**9,350,000**	464,133	**8,885,867**	39.18
Cash and cash equivalents	53,000,000	-	**53,000,000**	92,138,455	**(39,138,455)**	39.19
Employee benefit obligation	-	-	**-**	25,737,000	**(25,737,000)**	39.20
	62,350,000	**-**	**62,350,000**	**118,377,785**	**(56,027,785)**	
Total Assets	**89,632,000**	**-**	**89,632,000**	**324,845,433**	**(235,213,433)**	
Liabilities						
Current Liabilities						
Trade and payables	12,275,000	-	**12,275,000**	15,979,422	**(3,704,422)**	
Finance lease obligation	-	-	**-**	-	**-**	
	12,275,000	**-**	**12,275,000**	**15,979,422**	**(3,704,422)**	
Total Liabilities	**12,275,000**	**-**	**12,275,000**	**15,979,422**	**(3,704,422)**	
Net Assets	**77,357,000**	**-**	**77,357,000**	**308,866,011**	**(231,509,011)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	40,601,000	-	**40,601,000**	35,657,880	**4,943,120**	
Revaluation reserve	14,197,000	-	**14,197,000**	4,572,646	**9,624,354**	
Total Net Assets	**54,798,000**	**-**	**54,798,000**	**40,230,526**	**14,567,474**	

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on accrual basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Note
Statement of Cash Flow						
Cash flows from operating activities						
Cash receipts:						
Exchange transactions	9,849,000	-	**9,849,000**		**9,849,000**	
Non-exchange transactions	152,376,000	-	**152,376,000**		**152,376,000**	
	162,225,000	**-**	**162,225,000**	**-**	**162,225,000**	
Cash payments:						
Employees	(153,687,000)	-	**(153,687,000)**		**(153,687,000)**	
Suppliers	-	-	**-**		**-**	
	(153,687,000)	**-**	**(153,687,000)**	**-**	**(153,687,000)**	
Net cash flows from operating activities	**315,912,000**	**-**	**315,912,000**	**-**	**315,912,000**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(2,850,000)	-	**(2,850,000)**		**(2,850,000)**	
Net increase/(decrease) in cash and cash equivalents	5,688,000	-	**5,688,000**		**5,688,000**	
Cash and cash equivalents at the beginning of the year	52,000,000	-	**52,000,000**		**52,000,000**	
Cash and cash equivalents at the end of the year	**54,838,000**	**-**	**54,838,000**	**-**	**54,838,000**	

ACCOUNTING POLICIES

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

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

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

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

These accounting policies are consistent with the previous period.

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.

1.2 Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For loans and receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted project cash flows for example discount rate, condition of the asset, estimate future cash inflow, outflow, the term for discounting, assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

ACCOUNTING POLICIES

Significant judgements and sources of estimation uncertainty continued...

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as infation and interest rates.

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement and long- term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

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

1.4 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

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

Property, plant and equipment are initially measured at cost.

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

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

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

ACCOUNTING POLICIES

Property, plant and equipment continued...

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.

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

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

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

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using far value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciated charge for each period is recognised in surplus and deficit.

Item	Depreciation method	Average useful life
Buildings	Straight line	30 years
Computer equipment	Straight line	2-30 years
Furniture and office equipment	Straight line	2-30 years
Infrastructure assets	Straight line	5-30 years
Land	Straight line	Indefinite
Leased assets	Straight line	2-7 years
Machinery and equipment	Straight line	1-30 years
Motor vehicle	Straight line	2-30 years

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

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

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

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

ACCOUNTING POLICIES

Property, plant and equipment continued...

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (See note 17).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

Intangible assets are initially measured at cost.

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

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of teh Standard GRAP on Accounting Policies, Changes in Estimates and Errors.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Software applicaions	Straight line	5 - 12 years

Intangible assets are derecognised:

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

The gain or loss arising from the derecognition of an intangible asset is the difference between the net disposal proceeds and the carrying amount and is included in surplus or deficit when the asset is derecognised.

ACCOUNTING POLICIES

1.6 Impairment of cash-generating assets

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

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

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

Identification

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

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

Value in use

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current actual risk-free rate of interest based on the relevant Government bond rate and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

Impairment of cash-generating assets continued...

An impairment loss is recognised immediately in surplus or deficit.

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

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

Cash-generating units

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

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

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

Impairment of cash-generating assets continued...

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

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

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

Redesignation

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

1.7 Impairment of non-cash-generating assets

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

Management uses its descretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assets are treated as cash-generating assets.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash- generating assets, are as follows:

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash- generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

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

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

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

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

ACCOUNTING POLICIES

Impairment of non-cash-generating assets continued...

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

Impairment of non-cash-generating assets continued...

Redesignation

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

1.8 Financial instruments

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

A financial asset is:

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

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

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

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

Subsequent measurement of financial assets and financial liabilities

Financial instruments continued...

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

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

ACCOUNTING POLICIES

Financial instruments continued...

The municipality derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

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

1.9 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

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

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

1.10 Inventories

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

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Share capital / contributed capital

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

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act 89 of 1991.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within 12 months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within 12 months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

ACCOUNTING POLICIES

Employee benefits continued...

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

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

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

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

Post-employment benefits

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

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

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality accounts for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality accounts for the plan as if it was a defined contribution plan.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the rlated service, they are discounted. The rate used to discount reflects the time value of money.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

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

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflec the time value of money is consistent with the currency and estimated term of the obligation.

Employee benefits continued...

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

The municipality accounts not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

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

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and

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

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

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

Employee benefits continued...

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

Provisions and contingencies continued...

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

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

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

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

Provisions are not recognised for future operating deficits.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 32.

1.15 Accumulated surplus/(deficit)

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

1.16 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.17 Revenue from exchange transactions

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

Measurement

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

Sale of goods

Revenue from exchange transactions continued...

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

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

Rendering of services

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

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

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

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

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

1.18 Revenue from non-exchange transactions

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

Recognition

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

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

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

Measurement

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

Revenue from non-exchange transactions continued...

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

The municipality recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.20 Borrowing costs

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

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

1.21 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 and classified in accordance with the nature of the expense. Upon investigation, if a personwas found to be liable in law for the unauthorised expenditure that occured, a receivable is recognised fo the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Fruitless and wasteful expenditure

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

ACCOUNTING POLICIES

Fruitless and wasteful expenditure continued...

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occured, a receivable is recognised fo the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occured, a receivable is recognised fo the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Commitments

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

Disclosures are made in respect of unrecognised contractual commitments which include future capital commitments relating to property, plant and equiment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as furture commitments relating ot operating leases

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

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

1.25 Budget information

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

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

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

1.26 Related parties

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

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

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

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances. Refer to note 33 - Related parties.

1.27 Events after reporting date

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

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

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

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

1.28 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 28 - Comparative figures.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

Standards and interpretations effective and adopted in the current year continued...

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 17 (as amended 2016): Property, Plant and Equipment

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

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

ACCOUNTING POLICIES

Standards and interpretations effective and adopted in the current year continued...

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

GRAP 104 (amended): Financial Instruments

Standards and interpretations issued, but not yet effective continued...

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

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

The most significant changes to the Standard affect:

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

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

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

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

GRAP 1 (amended): Presentation of Financial Statements

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

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

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

Statement of financial position and statement of financial performance

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

Notes structure

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

Disclosure of accounting policies

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

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

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

The municipality has adopted the interpretation for the first time in the 2017/2020 annual financial statements.

Standards and interpretations issued, but not yet effective continued...

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 34: Separate Financial Statements

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

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

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

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

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

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

The objective of this Standard is to prescribe the:

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

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

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

The most significant changes to the Standard are:

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

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

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

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

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

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

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

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

Standards and interpretations issued, but not yet effective continued...

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

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

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

GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements

The definition of 'minority interest' has been amended to 'non-controlling interest', and paragraph .60 was added by the Improvements to the Standards of GRAP issued in November 2010. If an entity elects to apply these amendments earlier, it shall disclose this fact.

Paragraph .59 was amended by Improvements to the Standards of GRAP issued in November 2010. An entity shall apply these amendments prospectively for annual financial periods beginning on or after the effective date [in conjunction with the effective date to be determined by the Minister of Finance for GRAP 105, 106 and 107] from the date at which it first applied the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations. If an entity elects to apply these amendments earlier, it shall disclose this fact.

The Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers amended paragraphs .03, .39, .47 to .50 and added paragraphs .51 to .58 and .61 to .62. An entity shall apply these amendments when it applies the Standards of GRAP on Transfer of Functions Between Entities Under Common Control, Transfer of Functions Between Entities Not Under Common Control and Mergers.

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

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

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

Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 Living and Non-living Resources issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 Separate Financial Statements
  - GRAP 35 Consolidated Financial Statements
  - GRAP 36 Investments in Associates and Joint Ventures
  - GRAP 37 Joint Arrangements
  - GRAP 38 Disclosure of Interests in Other Entities

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directive is for years beginning on or after 01 April 2019.

The municipality expects to adopt the directive for the first time in the 2018/2019 annual financial statements.

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

GRAP 18 (as amended 2016): Segment Reporting

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

ACCOUNTING POLICIES

Standards and interpretations issued, but not yet effective continued...

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 April 2019

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

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

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

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

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

ACCOUNTING POLICIES

Standards and interpretations issued, but not yet effective continued...

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 April 2019.

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

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

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

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

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

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

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 2019/2019 annual financial statements.

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

GRAP 106 (as amended 2016): Transfers of functions between entities not under common control

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

Standards and interpretations issued, but not yet effective continued...

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The subsequent amendments to the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control resulted from changes made to IFRS 3 on Business Combinations (IFRS 3) as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

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 2019/2019 annual financial statements.

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

GRAP 108: Statutory Receivables

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

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

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

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

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

ACCOUNTING POLICIES

Standards and interpretations issued, but not yet effective continued...

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE (‘additional consideration’).

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation of the Standards of GRAP deals with the venturer’s accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP105, 106 and 107.

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

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

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

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

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

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

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

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

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

3. Property, plant and equipment

Reconciliation for the period ended 30 June 2019

	Land	Buildings	Machinery and Equipment	Motor vehicles	Work of Art and Paintings	Furniture and Office Equipment	Computer Equipment	Community Assets	Infrastructure Assets	Leased assets	Total
Balance at 1 July 2018											
Carrying amount	2,900,000	19,615,082	713,687	6,147,550	39,969	1,119,820	1,004,780	805,500	15,598,429	1,330,972	**49,275,789**
Net book value	**2,900,000**	**19,615,082**	**713,687**	**6,147,550**	**39,969**	**1,119,820**	**1,004,780**	**805,500**	**15,598,429**	**1,330,972**	**49,275,789**
Movements for the period ended 30 June 2019											
Additions	-	-	196,430	980,654	-	234,511	406,172	-	-	-	**1,817,768**
Work-in-progress	-	-	-	-	-	-	-	175,316,277	4,880,951	-	**180,197,228**
Adjustments	-	-	291,556	71,778	-	901,018	992,766	852,927	-	-	**3,110,044**
Depreciation	-	(1,286,207)	(373,607)	(978,955)	-	(596,306)	(641,167)	(166,474)	-	(1,330,972)	**(5,373,688)**
Revaluations	-	-	-	-	-	-	-	(252,978)	-	-	**(252,978)**
Write-offs	-	-	(83,772)	-	-	(224,764)	(636,835)	-	-	-	**(945,371)**
Transfer-out	-	-	(623)	-	-	(31,922)	(5,652)	(3,988,616)	(20,479,379)	-	**(24,506,191)**
Property, plant and equipment at end of year	**2,900,000**	**18,328,875**	**743,671**	**6,221,027**	**39,969**	**1,402,357**	**1,120,065**	**172,566,636**	**-**	**-**	**203,322,600**
Closing balance at 30 June 2019											
At cost	2,900,000	19,617,500	3,396,442	14,496,926	39,969	5,281,228	5,518,912	172,593,448	-	3,992,915	**227,837,340**
Accumulated depreciation	-	(1,288,625)	(2,652,771)	(8,275,899)	-	(3,878,871)	(4,398,847)	(26,812)	-	(3,992,915)	**(24,514,740)**
Net book value	**2,900,000**	**18,328,875**	**743,671**	**6,221,027**	**39,969**	**1,402,357**	**1,120,065**	**172,566,636**	**-**	**-**	**203,322,600**

Reconciliation for the period ended 30 June 2018

	Land	Buildings	Machinery and Equipment	Motor vehicles	Work of Art and Paintings	Furniture and Office Equipment	Computer Equipment	Community Assets	Infrastructure Assets	Leased assets	Total
Balance at 1 July 2017											
Carrying amount	2,590,000	17,492,641	760,666	7,176,294	39,969	1,329,877	1,211,843	1,025,504	-	2,661,944	**34,288,738**
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	**-**
Net book value	**2,590,000**	**17,492,641**	**760,666**	**7,176,294**	**39,969**	**1,329,877**	**1,211,843**	**1,025,504**	**-**	**2,661,944**	**34,288,738**
Movements for the period ended 30 June 2018											
Additions	-	-	222,000	-	-	32,290	209,000	-	-	-	**463,290**
Work-in-progress	-	-	-	-	-	-	-	130,480,497	15,598,429	-	**146,078,925**
Adjustments	-	4,462,167	(17,515)	-	-	181,925	129,355	-	-	-	**4,755,933**
Depreciation	-	(988,946)	(251,464)	(1,028,743)	-	(415,608)	(517,263)	(220,005)	-	(1,330,972)	**(4,753,001)**
Revaluation increase (decrease)	310,000	(1,350,780)	-	-	-	-	-			-	**(1,040,780)**
Write-offs	-	-	-	-		(8,664)	(28,155)			-	**(36,819)**
Property, plant and equipment at end of year	**2,900,000**	**19,615,082**	**713,687**	**6,147,551**	**39,969**	**1,119,820**	**1,004,780**	**131,285,996**	**15,598,429**	**1,330,972**	**179,756,286**
Closing balance at 30 June 2018											
At cost	2,900,000	19,617,500	3,128,463	13,516,273	39,969	7,212,300	5,359,143	131,999,261	15,598,429	3,992,915	**203,364,253**
Accumulated depreciation	-	(2,418)	(2,414,776)	(7,368,722)	-	(6,092,480)	(4,354,363)	(713,265)	-	(2,661,943)	**(23,607,967)**
Net book value	**2,900,000**	**19,615,082**	**713,687**	**6,147,551**	**39,969**	**1,119,820**	**1,004,780**	**131,285,996**	**15,598,429**	**1,330,972**	**179,756,286**

Pledged as security

None of the above assets have been pledged as security other than the obligations under finance leases that are secured by the lessor's right over the leased assets.

Revaluations

Land and buildings

The effective date of the revaluations was 30 July 2018 Revaluations were performed by an independent valuer,Kgolofelo Property Services CC.

Land and buildings are re-valued independently every 5 years. The following properties were revalued:
Portion 2 of Erf 8 Sasolburg and Portion 1 of Erf 49 Sasolburg

Community assets

The Income Capitalisation Method of Valuation was considered to be most appropriate for the Subject Property. This method determines the net normalised annual income of the property, assuming the property is fully let at market related rentals, and market escalations, with an allowance made for vacancies (where applicable). Market related operating expenses are incurred, resulting in a net annual income which is then capitalised at a market related rate. The capitalisation rate is determined from the market (i.e. the rate at which similar assets have traded recently), and is influenced in general by: rates of return of similar properties, risk, obsolescence, inflation, market rental growth rates, rates of return on other investments, as well as mortgage rates:These assumptions were based on current market conditions.

Weltevreden settlement agricultural holding 78, off R82.

Cognisance is taken of the fact that the subject property is an Agricultural Holding improved for agricultural purposes. In this case the Cost Depreciated Replacement Method entails the determination of the replacement cost of the improvements which is then depreciate taking into account physical depreciation, functional and economic obsolescence, as well as buyer resistance. The Comparable Sales will be applied for the vacant land which will be added back into the depreciated value.

Details of properties

Portion 1 of Erf 49 Sasolburg		
Terms and conditions		
Building Improvements Value	9,350,000	8,300,000
Land Value	1,350,000	1,200,000
	10,700,000	**9,500,000**

Portion 2 of Erf 8 Sasolburg		
Terms and conditions		
Building Improvements Value	10,250,000	8,900,000
Land Value	1,450,000	1,300,000
	11,700,000	**10,200,000**

Weltevreden settlement agricultural holding78

Land Value	**100,000**	**100,000**

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure (Thumahole Stadium)	**172,566,636**	**131,285,996**

The Tumahole stadium is recognised as an asset in municipal books. The stadium is constructed on private land that is not owned by the municipality.

Expenditure incurred to repair and maintain property, plant and equipment

Buildings	321,404	326,888
Office equipment	207,802	175,421
Computer equipment	3,500	-
Motor vehicles	1,282,098	496,316
	1,814,804	**998,625**

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

3. Intangible assets

	Software applications	Total
Reconciliation for the period ended 30 June 2019		
Balance at 1 July 2018		
Carrying amount	2,402,018	**2,402,018**
Net book value	**2,402,018**	**2,402,018**
Movements for the period ended 30 June 2019		
Acquisitions through internal development	68,300	**68,300**
Adjustments	(265,019)	**(265,019)**
Amortisation	(291,560)	**(291,560)**
Intangible assets at end of period	**1,913,739**	**1,913,739**
Closing balance at 30 June 2019		
At cost	3,145,048	**3,145,048**
Accumulated amortisation	(1,231,309)	**(1,231,309)**
Net book value	**1,913,739**	**1,913,739**

Pledged as security

None of the intangible assets have been pledged as security.

Other information

There were no intangible assets with indefinite lives.

Reconciliation for the period ended 30 June 2018		
Balance at 1 July 2017		
Carrying amount	**2,417,908**	2,417,908
Net book value	**2,417,908**	**2,417,908**
Movements for the period ended 30 June 2018		
Amortisation	**(15,890)**	(15,890)
Intangible assets at end of period	**2,402,018**	**2,402,018**
Closing balance at 30 June 2018		
At cost	**3,340,298**	3,340,298
Accumulated amortisation	**(938,280)**	(938,280)
Net book value	**2,402,018**	**2,402,018**

4. Inventories

Inventory items	38,197	-
	38,197	**-**

Assets items with a carrying amount of R100 below at 30 June 2019 have been transferred to inventory.

5. Trade and other receivables

Receivables from Exchange transactions

Recoveries - Private calls	50,845	-
	464,133	**359,298**

Receivables from Non-exchange transactions

Advance made to staff	1,560	-
Advance payments	206,250	-
Bursary Debtors	-	116,067
DPLG - HIV & AIDS festival	-	31,081
Fuel Deposits	1,000	1,000
Other receivables	-	46,936
Prepaid expenses	-	119,535
Pick 'n Pay card	-	2,251
Value added tax	244,737	6,680,346
Recoveries - UIFWE	130,991	7,472,289
	584,538	**14,469,505**

6. Cash and cash equivalents

Current acount	1,391,237	20,362,823
Call accounts	90,747,218	69,387,501
	92,138,455	**89,750,324**

6.1 The municipality had the following bank accounts

	Bank statement balances			Cash book balances		
Account description	**30-Jun-19**	**30-Jun-18**	**30-Jun-17**	**30-Jun-19**	**30-Jun-18**	**30-Jun-17**
Absa Current - 520000100	2,407,355	4,332,611	2,347,982	902,353	4,070,378	2,119,418
Absa HIV - 9209269959	488,884	461,170	1,229,144	488,884	461,170	1,229,144
Absa Savings - 9070399717	16,305,629	15,830,734	247,436	16,305,629	15,830,734	247,436
Absa - 2067390363	12,522,938	11,653,550	13,624,231	12,564,547	11,693,491	13,624,231
Absa - 2068681892	8,832,133	8,169,706	11,418,234	8,854,143	8,243,346	11,418,234
Nedbank - 7288009165	11,982,853	11,268,118	10,231,685	11,985,504	11,273,674	10,231,685
Standard bank - 728670534/006	11,728,385	11,022,046	10,858,361	11,877,725	11,031,239	10,858,361
Standard bank - 728670535/008	15,743,149	14,618,684	7,598,374	15,830,102	14,739,798	7,598,374
Standard bank - 728670534/010	13,222,627	12,302,145	10,593,919	13,329,568	12,406,494	10,593,919
	93,233,953	**89,658,764**	**68,149,366**	**92,138,455**	**89,750,324**	**67,920,802**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits are neither past due nor impaired can be assessed by reference to external credit ratings.

Credit rating

BB+ long term rating	**92,138,455**	**89,750,324**

Cash and cash equivalents pledged as collateral

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7. Trade and other payables

Trade and other payables from Exchange transactions

Leave accruals	7,743,841	7,136,985
Performance bonuses	2,836,251	-
Payables and accruals	1,853,791	182,231
FS DP Grant	3,334,620	3,334,620
Retentions	210,919	145,534
Advance payments	-	206,250
Allocation of vehicle costs	-	-
Outstanding cheques	-	625,658
Councillor's cellphone deductions	-	21,026
Credit card allocations	-	26,729
Credit control	-	4,581,996
EPWP Grant	-	392,005
National lottery	-	686,860
Service bonus accruals	-	3,386,628
Provision for Councillor's	-	30
Salary control	-	35,473
Spur voucher	-	2,050
Stale vote	-	40,992
Traffic fines	-	750
Year end sundry	-	240,926
	15,979,422	**21,046,743**

Trade and other payables from Non-exchange transactions

MIG	5,178,477	6,582,065
INEP	69,196	3,736,390
RRAMS	271,037	359,621
FS Department of sports	-	1,264,448
	5,518,709	**11,942,524**

MIG:
During 2017/18 financial year Mafube Local Municipality MIG funds were regazetted under Fezile Dabi District Municipality in terms of the Directive of the Minister of Finance dated 16 October 2017. The purpose of the funds was for Fezile Dabi District Municipality to continue with the implementation of various capital projects in Mafube Local Municipality that were already under implementation prior to regazetting of fund.

INEP:
The INEP fund was sourced by Fezile Dabi District Municipality from the National Department of Energy in order to assist Mafube Local Municipality with electrification of households in that area.

RRAMS:
The purpose of RRAMS Grant is to conduct assessment and feasibility of roads in the region and then data is forwarded to the province in a form of report.

Trade and other payables from non-exchange transactions consists of conditional grants received from government. The effect of grants receipt a

Unspent conditional grants and receipts

2018/19

Capital grants

	MIG	INEP	FS Department of sports
Opening balance at the beginning of the year	6,582,065	3,736,390	1,264,448
Movements during the year:			
Receipts/Additions during the year	-	-	-
Income recognition during the year	(1,403,588)	(3,667,194)	-
Surrendered/Written-off during the year	-	-	(1,264,448)
Closing balance at the end of the year	**5,178,477**	**69,196**	**-**

Operating grants

	RRAMS	FMG
Opening balance at the beginning of the year	-	-
Movements during the year:		
Receipts/Additions during the year	2,188,000	1,000,000
Income recognition during the year	(2,188,000)	(1,000,000)
Surrendered/Written-off during the year	-	-
Closing balance at the end of the year	-	-

2017/18

Capital grants

	MIG	INEP	FS Department of sports
Opening balance at the beginning of the year	-	-	1,264,448
Movements during the year:			
Receipts/Additions during the year	27,080,000	4,000,000	-
Income recognition during the year	(20,497,935)	(263,610)	-
Surrendered/Written-off during the year	-	-	-
Closing balance at the end of the year	**6,582,065**	**3,736,390**	**1,264,448**

Operating grants

	RRAMS	FMG
Opening balance at the beginning of the year	-	-
Movements during the year:		
Receipts/Additions during the year	2,183,000	1,250,000
Income recognition during the year	(2,183,000)	(1,250,000)
Surrendered/Written-off during the year	-	-
Closing balance at the end of the year	-	-

8. Finance lease obligations

Finance lease obligation (Leased printing machines)	-	2,049,954
	-	**2,049,954**

8.1 Finance lease obligations - lease payment reconciliations

Minimum lease payments		
Not later than one year	-	2,622,037
Less: Future finance charges	-	(572,083)
Present value of finance lease obligations	**-**	**2,049,954**
Present value of finance lease obligations		
Not later than one year	-	2,049,954
	-	**2,049,954**

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

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

Interest rates are linked to prime at the contract date. All leases have fixed repayment terms and no arrangement have been entered into for contingent rent.

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

9. Employee benefit obligation

Defined contribution plans

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in retirement, the serving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the serving dependants will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries.

Post retirement medical aid plan

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:	**2019**	**2018**
In- Service members (employees)	132	135
Continuation members (Pensioners)	7	5
	139	**140**

The municipality make monthly contributions for health care arrangements to the following medical aid schemes.

- Bonitas medical scheme
- Discovery medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme

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

Carrying value

Opening balance	(23,223,000)	(21,859,000)
Service cost	(2,152,000)	(2,253,000)
Interest cost	(2,388,000)	(2,258,000)
Actuarial gains	178,000	1,892,000
Benefits payment	1,848,000	1,271,000
	(25,737,000)	**(23,207,000)**

Net expense recognised in the statement of financial performance

Current service cost	(723,000)	(699,000)
Interest cost	(1,092,000)	(1,029,000)
Actuarial (gains) losses	589,000	(749,000)
Benefits payments	246,000	246,000
	(980,000)	**(2,231,000)**

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Discount rate used	Yield curve	Yield curve
Medical aid contribution inflation	CPI + 1%	CPI + 1%
Net discount rate	Yield curve	Yield curve
Retirement age	65 years	65 years
Average retirement age	63 years	63 years
Mortality rate before retirement	SA 85/90 tables	SA 85/90 tables
Mortality rate post retirement	PA (90) ultimate tables	PA (90) ultimate tables

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:
“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 30 June 2019 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point
Effect on the accrued liability	12,948,000	12,222,000
Effect on interest cost	1,346,000	1,269,000
Effect on service cost	724,000	683,000

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	12,948,000	10,790,000	10,057,000	9,029,000	7,934,000

Defined contribution plan

Councillors and employees belong to two defined retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed in June 2008. The Free State Municipal Pension Funds' net assets that were available at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the fund was in sound financial position. The estimated liability of the funds is R 1,576,689,000 which is adequately financed.

No new information was available at reporting date.

Long service awards

An actuarial valuation has been performed by ZAQ Consultants and Actuaries of the municipality's liability, in respect of benefits to eligible employees of the municipality. The provision is utilised when eligible employees of the municipality receive the value of the vested benefit. The actuarial valuation was performed in line with the requirements of GRAP 25.

	Female	Male	Total
Number of active employees	57	75	132

	Female	Male	Total
Salary weighted average years	44	43	44

	Female	Male	Total
Salary weighted average past service years	11	9	10

Reconciliation of provisions for long service awards - 2019	**Opening Balance**	**Additions**	**Total**
Long service awards	12,433,000	356,000	12,789,000

Reconciliation of provisions for long service awards - 2018	**Opening Balance**	**Additions**	**Total**
Long service awards	11,802,000	631,000	12,433,000

Amounts recognised in the statement of financial performance are as follows:		
Service cost	(1,429,000)	(1,554,000)
Interest cost	(1,296,000)	(1,245,000)
Actuarial (gains) / losses	767,000	1,143,000
Benefits paid	1,602,000	1,025,000
	(356,000)	**(631,000)**
Amounts recognised in the statement of financial performance are as follows:	**12,789,000**	**12,443,000**

Key Assumptions used at the reporting date:

	2019	**2018**
Discount rate used	Yield curve	Yield curve
Salary inflation	CPI + 1%	CPI + 1%
Net discount rate	Yield curve	Yield curve

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows:

“The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We use the nominal and zero curves as at 30 June 2019 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.The Net Effective Discount Rate is different for each relevant time period of the yield curves’ various durations and therefore the Net Effective Discount Rate is based on the relationship between the (yield curve based) Discount Rate for each relevant time period and the (yield curve based) Salary Inflation for each relevant time period.

Sensitivity analysis

The liability is recalculated using the following analysis

• 20% increase /decrease in the assumed level of withdrawal

9.0.1 The amounts recognised in the balance sheet are determined as follows:

Provision for long-service awards	12,789,000	12,433,000
Post retirement medical aid plan	12,948,000	10,806,000
	25,737,000	**23,239,000**

10. Other Income

Tender Documents Sales	33,817	52,483
EHS Air Emmission Licenses	10,000	-
Ticket Sales - HIV Concert	-	190,367
Skills Development Levy	160,500	93,777
Refunds received	145,944	216,632
Insurance Claims	241,364	23,783
Recoveries - Private Calls	258,972	462,391
Recoveries - UIFWE	130,991	7,472,289
Management Fees - MIG	-	1,354,000
	981,588	**9,865,722**

11. Interest Received

Call accounts	5,053,545	4,783,613
Current account	2,848,800	2,366,523
	7,902,345	**7,150,136**

12. Actuarial Gains

Employee costs benefit	178,000	1,892,000
	178,000	**1,892,000**

13. Grants and subsidies

Capital Grants		
MIG	1,403,588	19,143,935
INEP	3,667,194	263,610
	5,070,782	**19,407,545**
Operating Grants		
Equitable share	147,523,000	50,873,000
RSC Levy	-	92,710,000
RRAMS	2,188,000	2,183,000
FMG	1,000,000	1,250,000
	150,711,000	**147,016,000**
	155,781,782	**166,423,545**

14. Donations received

Government	44,645,948	21,259,490

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15. Employee related costs

Basic Salaries	55,262,078	54,497,890
Bonus	4,740,512	5,087,851
Medical aid contributions	5,358,703	4,826,507
Unemployment Insurance Fund	290,848	289,362
Leave payouts	4,677,561	4,127,298
Overtime payments	1,423,307	715,820
Long-service awards payouts	1,602,000	1,774,000
Car allowance	11,820,734	11,886,203
Housing benefits and allowances	519,019	464,023
Pension fund contribution	9,604,588	9,092,258
Shift Allowance	979,964	925,285
Skills Development Levy	767,612	760,730
	97,046,926	**94,447,227**

Disclosure of remuneration of Senior Managers:

Remuneration of Municipal Manager: Ms. ML Molibeli

Basic Salary	898,251	903,976
Car Allowance	319,289	327,153
Performance Bonuses	-	271,545
Contribution to UIF	1,785	1,636
Contribution to Medical Aid	38,963	35,780
Contribution to Pension Fund	146,321	155,837
	1,404,609	**1,695,927**

Remuneration of Chief Financial Officer: Mr. G Mashiyi

Basic Salary	-	959,195
Car Allowance	-	274,831
Performance Bonuses	-	217,236
Contribution to UIF	-	1,933
	-	**1,453,195**

Remuneration of Director - Environmental Health and Emergency Services: Ms. N Baleni

Basic Salary	130,908	227,244
Car Allowance	55,080	66,500
Contribution to UIF	297	595
Contribution to Medical Aid	5,128	6,980
	191,413	**301,319**

Remuneration of Director - Local Economic Development and Tourism: Ms. V Moloi

Basic Salary	750,528	757,772
Car Allowance	252,627	200,000
Performance Bonuses	-	168,406
Contribution to UIF	1,785	1,933
	1,004,940	**1,128,111**

Remuneration of Director - Corporate Services: Adv. A Mini (01 July 2018 - 31 January 2019)

Basic Salary	457,092	833,649
Car Allowance	123,475	254,886
Performance Bonuses	-	168,406
Contribution to UIF	1,190	1,933
Contribution to Medical Aid	23,654	94,613
Contribution to Pension Fund	-	130,763
	605,410	**1,484,250**

Remuneration of Director - Corporate Services: Dr. S Motingoe (01 May 2019 - 30 June 2019)

Basic Salary	112,790	**-**
Car Allowance	55,080	**-**
Contribution to UIF	297	**-**
Contribution to Medical Aid	4,267	**-**
Contribution to Pension Fund	18,979	**-**
	191,413	**-**

The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.

16. Remuneration of Councillors

Executive Mayor	865,259	867,214
Sitting Allowance for Seconded Councillors of Local Municip	242,628	240,082
Mayoral Committee Members	3,307,433	3,243,342
Speaker	415,595	389,683
Councillors	2,799,912	2,090,948
	7,630,827	**6,831,269**

In-kind benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles for official duties.

Executive Mayor

Cllr. AM Olifant (1 July 2018 to 16 October 2018)

Basic Salary	141,413	548,805
Car Allowance	49,191	196,764
Cellphone Allowance	10,200	40,800
Social Contributions	20,235	79,562
	221,039	**865,931**

Cllr. M Moshodi (17 October 2018 to 30 June 2019)

Basic Salary	439,481	-
Car Allowance	145,462	-
Cellphone Allowance	30,600	-
Social Contributions	63,393	-
	678,936	**-**

Speaker

Cllr. L Khubeka

Basic Salary	327,426	302,773
Cellphone Allowance	88,169	86,910
	415,595	**389,683**

Chief Whip

Basic Salary		
Cellphone Allowance		
	-	**-**

MAYCO Members

Cllr. SV Khiba - MMC: Technical Services

Basic Salary	417,177	412,566
Car Allowance	142,554	147,574
Cellphone Allowance	39,412	40,800
Social Contributions	62,944	59,671
	662,087	**660,611**

Cllr. MM Modikoe - MMC Corporate Services

Basic Salary	434,086	412,566
Car Allowance	147,574	147,574
Cellphone Allowance	40,800	40,800
Social Contributions	62,944	59,671
	685,404	**660,611**

Cllr. M Moshodi - MMC: Social Development

Basic Salary	95,904	412,566
Car Allowance	36,893	147,574
Cellphone Allowance	10,200	40,800
Social Contributions	15,399	59,671
	158,396	**660,611**

Cllr. J Mareka - MMC: Local Economic Development and Tourism

Basic Salary	284,348	270,017
Car Allowance	88,265	88,265
	372,613	**358,282**

Cllr. M Mosia - MMC: Finance

Basic Salary	357,732	270,017
Car Allowance	112,001	88,265
Cellphone Allowance	30,600	-
	500,333	**358,282**

Cllr. V De Beer - MMC: Environmental Health, Emergency and Public Safety

Basic Salary	284,348	-
Car Allowance	88,265	-
	372,613	**-**

Cllr. IM Magashule - MMC

Basic Salary	86,992	-
Car Allowance	27,003	-
	113,995	**-**

Part-time Councillors

Cllrs: KL Khubeka, G Nkethu, MJ Msimanga (Resigned June 2019), AR Majoe, F Scholtz, MA Mosia (July to September 2018, K Thulo, S Setun

Basic Salary	2,141,035	1,983,470
Car Allowance	601,394	603,687
Cellphone Allowance	381,882	367,200
Social Contributions	82,580	50,019
	3,206,891	**3,004,376**

Seconded Councillors

Basic Salary	242,628	240,082

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17. Repairs and maintenance

Buildings	321,404	326,888
Office equipment	207,802	175,421
Computer equipment	3,500	-
Motor vehicles	1,282,098	496,316
	1,814,804	**998,625**

18. Other expenses

Accommodation	1,418,165	1,122,826
Advertising, publications and marketing	2,058,288	1,467,077
Air travel	227,681	345,832
Audit fees	3,670,300	4,061,300
Bank charges	95,285	100,189
Business and advisory services	2,223,821	5,375,502
Catering services	3,119,948	1,584,843
Cellphone costs	1,368,944	1,370,807
Cleaning services	485,002	191,125
Conferences and workshops	148,210	226,039
Consumables	703,280	334,297
Employee wellness	13,396	70,734
Event promoters	3,587,785	5,676,406
Financial aid - Local municipalities	-	1,354,000
Financial aid - Public	-	258,139
Fuel and oil	1,184,530	198,909
Interest paid	904	1,481
IT services	372,642	349,302
Legal expense	2,021,310	-
Municipal services	1,344,237	1,108,803
Postage	4,845	3,750
Printing and publications	505,777	705,036
Rental - building	260,411	199,905
Rural Dev: Early childhood development	349,070	64,491
Rural Dev: Skills development and training	1,380,403	394,072
Rural Dev: Sustainable economic opportunities	-	304,970
Samples and specimens	26,403	135,244
Security	1,598,037	31,677
Software licenses	1,198,551	496,949
Sports and recreation	138,113	368,169
Staff recruitment costs	26,880	23,375
Subscriptions and membership fees	1,066,317	1,041,692
Telephone costs	426,483	565,958
Toll-gate fees	31,059	22,348
Training	468,790	-
Transport	659,209	405,301
Travel and subsistence allowance	1,636,150	1,581,699
Uniform and protective clothing	390,284	516,230
Vehicle licenses and registrations	16,158	16,811
Vehicles tracking	54,885	60,874
Workmans compensation fund	379,326	407,596
	34,660,879	**32,543,758**

19. Grants and subsidies Paid

RRAMS	2,188,000	2,183,000
	2,188,000	**2,183,000**

20. Depreciation and amortisation

Buildings	1,286,207	988,946
Motor vehicles	978,955	1,028,743
Computer equipment	641,167	517,263
Furniture and office equipment	596,306	415,608
Machinery and equipment	373,607	251,464
Community assets	166,474	220,005
Software applications	291,560	15,890
Leased office equipment	1,330,972	1,330,972
	5,665,248	**4,768,891**

21. Finance costs

Finance charges - Employee post-retirement benefit	2,388,000	2,258,000
Finance Lease charges	572,083	1,262,346
	2,960,083	**3,520,346**

22. Bursaries

Employees	268,336	489,723
Non-employees	1,097,290	1,451,497
	1,365,626	**1,941,220**

23. Insurance

Assets	376,991	352,375
Employees	69,892	69,878
	446,883	**422,253**

24. Rentals

Car Hire	173,837	74,585
Building	260,411	199,905
Equipment	-	92,000
	434,248	**366,490**

25. Donations

Public	203,809	-
Government	24,467,995	-
Total garden and pool repairs	**24,671,804**	**-**

26. Financial instruments disclosure

Categories of financial instruments at amortised cost

Financial assets

Trade receivables from non-exchange transactions	584,538	14,469,505
Cash and cash equivalents	92,138,455	89,750,324
	92,722,993	**104,219,829**

Financial liabilities

Trade and other payables from exchange transactions	15,979,422	21,046,743
Employees benefit obligation	25,737,000	23,239,000
Unspent conditional grants	5,518,709	11,942,524
Finance lease obligation	-	2,049,954
	47,235,131	**58,278,221**

27. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
Implementation of the RRAMS	2,424,998	4,502,948
Upgrade of Ntswanatsatsi / Cornelia sports grounds	1,995,572	2,342,408
Electrification of stands in Ntswanatsatsi Ext. and Qalabotjha Ext	-	3,235,401
Namahadi: Water Reticulation 1714 Erf Connections (MIS:181245)	-	150,599
Qalabotjha: Extension of the Waste Water Treatment Works (MIS:243122)	-	56,437
Qalabotjha/Villiers: New 6.5ML Water Resevoir and Pipeline, Phase 1	-	757,595
Namahadi/Kgatholoha: Upgrading of Sports Ground (MIS:211474)	-	64,026
Mafahlaneng/Tweeling: Upgrade of Sports GRound (MIS:212177)	64,026	77,463
Beatification and greening of the two main entrances into Parys	390,425	-
	4,875,021	**11,186,877**
Authorised operatinal expenditure		
Preparation and review of AFS of the 2017-18 and 2018-19 financial years	141,193	421,188
Specialised, technical and functional services for 2018/19, 2019/20 and 2020/21	8,856,723	-
Multi-functioning printing devices (Photocopy Machines)	2,653,467	-
	11,651,382	**421,188**
	16,526,403	**11,608,065**
Already contracted for but not provided for		
Capital commitments	**-**	**3,538,553**
Operational commitments	**11,510,189**	**3,424,612**

This committed expenditure relates to capital projects and will be financed by grants.

28 Comparative figures

Certain comparative figures have been reclassified as indicated in note 34.

Reclassification of certain accounts were made to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality.

29 Risk management Financial risk management

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

Liquidity risk

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.

30 Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R247,885,194 and that the municipality's total assets exceed its liabilities by R252,457,840.

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

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31 Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year	29,832	8,172
Amount paid - current year	(29,832)	(8,172)
	-	-

Audit fees

Current year	3,670,300	4,061,300
Amount paid - current year	(3,670,300)	(4,061,300)
	-	-

PAYE and UIF

Current year	290,848	289,362
Amount paid - current year	(290,848)	(289,362)
	-	-

Pension and Medical Aid Deductions

Current year	15,223,703	13,918,765
Amount paid - current year	(15,223,703)	(13,918,765)
	-	-

32 Contingencies

The municipality have the following contingent liabilities:

FDDM / Picasso Headlines (Pty) Ltd	80,000	80,000
FDDM / SAMWU obo P Setseli - Labour case	2,000,000	2,000,000
FDDM / L Magqwanti	1,000,000	-
FDDM / Nyumba Mobile Homes and Offices	533,129	160,000
FDDM / Khululekani Security	900,000	900,000
FDDM / Deregistration of the FDDM Trust	25,000	-
FDDM / Du plooy and another and 2 others	2,800,000	900,000
FDDM / Maximum Profit Recovery	8,000,000	-
	15,338,129	**4,040,000**

Litigation is in the process against the municipality relating to a various court cases with a potential liability of R 15,338,129. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely and as such the ligitation is proceeded with. Included in the contingencies, is an amount of R25 000 for the disestablishment of the FDDM Trust which will be expenses once the transaction has been concluded.

Details are as follows:

- Picasso Headlines (Pty) Ltd: Outstanding payment relating to advertising costs.
- Labour related cases - P Setseli has been dismissed due to misconduct in refusing to take lawful orders. L Magqwant has a labour case claim against the municipality.
- Nyumbe Mobile Homes and Offices (Pty) Ltd has instituted a claim for money owed for a project undertaken by a joint venture for the construction of additional wards and a new forensic mortuary at the Metsimaholo District Hospital.
- Khulekani Services has a civil claim against the municipality regarding a payment dispute for security services rendered.
- Included in the contingencies, is an amount of R25 000 for the disestablishment of the FDDM Trust which will be expenses once the transaction has been concluded.
- In the case of Du Plooy the plaintiff issued a summons regarding the breach of duty of care whereby AM Du Plooy lost his life as a result of injuries sustained.
- Maxumim Profit Recovery: claims regarding award of a tender.

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33 Related parties

Relationships
Executive Council Members
Members of key management

Related party transactions

The municipality did not enter into any transactions with related parties.

34 Prior-year errors

Management of Fezile Dabi District Municipality, whilst preparting the annual financial statements of the municipality for the financial year ended June noticed accounting errors in last financial year's accounts. The errors have been corrected by restating each of the affected financial statements line items for prior period. The following table summarised the imapct on the minicipality's financial statements:

2017/18

Statement of Financial Position:

Property, Plant & Equipment

Non-Current Assets

	As previously reported	Adjustments	As restated	Nature of error
Buildings	19,600,877	1,003,150	20,604,027	Disclosed amount not in line with fixed asset register
Machinery & Equipment	737,130	228,021	965,151	Disclosed amount not in line with fixed asset register
Motor Vehicles	6,219,327	956,967	7,176,294	Disclosed amount not in line with fixed asset register
Work of Art & Paintings	-	39,969	39,969	Asset previously accounted for as intagible assets
Furniture & Office Equipment	1,191,533	343,895	1,535,428	Disclosed amount not in line with fixed asset register
Computer Equipment	1,112,917	409,126	1,522,043	Disclosed amount not in line with fixed asset register
Community Assets	-	131,506,002	131,506,002	WIP in respect of Fezile Dabi not previously recognised
Infrastructure Assets	106,222,570	(90,624,141)	15,598,429	Capital Expenditire iro Mafube MIG project previously accounted for as normal operating ependiture
Leased Assets	1,197,875	(399,292)	798,583	Lease assets not previously accounted for.

Intangible Assets

Software application	2,177,200	224,818	2,402,018	Error in computation of annual amortisation.

Current-Assets

Prior-year errors continued...

Cash & Cash Equivalents	89,401,594	448,921	89,850,515	Accrued interest not fully accounted for.
Recoverable expenses	733,796	(733,796)	-	Reclassification between line items in order to reflect the tru nature of the transaction
Fuel deposit	1,000	(1,000)	-	
Trade Receivables - Other	820,819	(773,883)	46,936	
Prepaid expenses		119,535	119,535	
DPLG - HIV & AIDS festival	-	31,081	31,081	
VAT receivable	9,359,222	(2,678,876)	6,680,346	Input VAT on some tender documents sales not accounted for and inccorect allocation of unspent conditional grant balance against vat control account.
Unathorised, Irregular, Fruitless & Wasteful Expenditure	-	7,472,289	7,472,289	Prior year irregular expendiutre identified in current year.
Provision for impairment	(1,611,160)	1,611,160	-	Recoverable debts erroneuosly impaired
Current Liabilities				
Advance payments	-	206,250	206,250	Balance previously not disclosed
Payables & accruals	-	182,231	182,231	Balance previously not disclosed
Spur Voucher	-	2,050	2,050	Balance previously not disclosed
Salary control	-	35,473	35,473	Balance previously not disclosed
Provision for councillors	-	30	30	Balance previously not disclosed
National Lottery	-	686,860	686,860	Balance previously not disclosed
INEP	-	3,736,390	3,736,390	Balance previously not disclosed
Outstanding cheques	-	625,658	625,658	Balance previously not disclosed
Councillor's Cellphone deductions	-	21,026	21,026	Balance previously not disclosed
Outstanding Credit Card Allocations	-	26,729	26,729	Balance previously not disclosed
EPWP Grant	-	392,005	392,005	Balance previously not disclosed
Trade Payables	4,681,652	(99,656)	4,581,996	Balance previously incorrectly accounted for.
Grant payable - MIG Mafube	7,518,462	(936,397)	6,582,065	Grant payable amount erronrneously ovestated
Statement of Net Assets				
Reserves				
Revaluation Reserve	14,831,761	(5,435,457)	9,396,304	Revaluation on land and buildings incorrectly accounted for.
Accumulated Surplus	173,823,309	69,831,820	243,655,129	Correction of prior year errors

Statement of Financial Performance

Revenue:

Bad debts recovered wrongly debited by refunds received from third parties.

Decrease in Refunds Received	190,367
increase in Bad Debts Recovered	(190,367)

Unspent Conditional wrongly debited against MIG Revenue Account

Decrease in Unspent Conditional Grants	6,459,564
Increase in Grants & Subsidies Received (MIG)	(6,459,564)

(Incorrect allocation of unspent conditional grant from one revenue vote number to another)

Prior-year errors continued...

Grants & Subsidies Recevied (MIG Grant)	3,763,390
Grants & Subsidies Recevied (INEP Grant)	(3,763,390)

Expenditure:

Business & advisory services expenseses wrongly classified as legal cost aadvice and litigation ezpenses

Increase in Business & Advisory Services	1,298,476
Decrease in Legal Cost Advice & Litigation	(1,298,476)

Advertising & publication expenses incorrectly classsifed as printing & stationery, vehicle tracking, municipal services and business & advisory services

Increase in Advertising & Publications	229,471
Decrease in Printing & Stationery	(125,663)
Decrease in Vehicle tracking	(10,008)
Decrease in Municipal Services	(84,900)
Decrease in Business & Advisory	(8,899)

Consumable expensese wrongly classified as financial aid and entertaiment expenses

Increase in Consumables	317,978
Decrease in Financial Aid	(160,353)
Decrease in Entertainment - Mayor	(157,625)

Catering services incorrectly classified as business & advisory, event promoters, transport, advertising & publications, entertainment, trave & subsistence, insurance and financial aid

Increase in Catering Services	653,984
Decrease in Business & Advisory	(95,400)
Decrease in Event Promoters	(103,067)
Decrease inTransport	(2,640)
Decrease in Advertising & Publications	(42,973)
Decrease in Entertainment - Mayor	(110,954)
Decrease in Entertainment - Senior Management	(1,400)
Decrease in Travel & Subsistence	(2,250)
Decrease in Insurance	(4,800)
Decrease in Financial Aid	(290,500)

Accommodation expenses iccorectly classified as busaries, enterinment, air transport, daily allowance and domestic trave expenses

Incease in Accomodation	291,603
Decrease in Bursaries	(6,728)
Decrease in Entertainment- Mayor	(27,440)
Decrease in Air Transport	(204,405)
Decrease in Daily Allowance	(12,505)
Decrease in Domestic Travel (Without Own Transport)	(40,524)

Air trasnport costs incorrecly classified as accomodation expenses

Increase in Air Transport	141,427
Decrease in Accomodation	(141,427)

Car hire expenses inccorectly classified as air transport expenses

Prior-year errors continued...

Increase in Car Hire	12,816
Decrease in Air Transport	(12,816)

Event Promoters expenses incorrrectly classified as printing & publication, business & advisory, fire services and financial aid

Increase in Event Promoters	370,000
Decrease in Printing & Publications	(19,000)
Decrease in Business & Advisory	(115,000)
Decrease in Fire Services	(57,000)
Decrease in Financial Aid	(179,000)

Printing & stationery expenses incorrectly classified as consumables, municipal services and materials & supplies.

Increase in Printing & Stationery	281,941
Decrease in Consumables	(222,427)
Decrease in Municipal Services	(55,320)
Decrease in Material & Supplies	(4,194)

Building repairs & maintenance expensese incorrecly classified s business & advisory, building contractors, maintenance of eqipment and municipal services.

Incrase in Repairs & Maintenance - Buildings	227,745
Decrease in Business & Advisory	(473)
Decrease in Building Contractors	(6,000)
Decrease in Maintenance of Equipment	(53,271)
Decrease in Municipal Services	(168,000)

Repairs and maintenance to fleet incorrecly classified as maintenance to equipment

Incease in Repairs & Maintenance - Fleet	18,538
Decrease in Maintenance of Equipment	(18,538)

Repairs & maintenance to equipment incorrectly classified as software licenses and consumables

Increase in Repairs & Maintenance - Equipment	618
Decrease in Software Licenses	(531)
Decrase in Consumables	(88)

Fuel expenses incorrectly classfied as consumables and maintenance of fleet.

Increase in Fuel	198,909
Decrease in Consumbles	(185,751)
Decrease in Maintenance of Fleet	(13,158)

Toll fees expenses incorrrecly classified as consumables

Increase in Toll Fees	22,348
Decrease in Consumbles	(22,348)

Sports & receation expenses incorrectly classified as municipal services.

Increase in Sports & Recreation	80,000
Decease in Municipal Services	(80,000)

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Prior-year errors continued...

Audit fees incorrectly classified as business and advisory services.

Increase in Audit Fees	43,344
Decrease in Business & Advisory	(43,344)

Interest on late payment iccorecly classified as audit fees, municipal services and telephone costs

Increase in Interest on late Payments	1,481
Decrease in External Audit cost (Audit fees)	(508)
Decrease in Municipal services	(293)
Decrease in Telephone costs	(680)

Rental of buildings incorrectly classified as lease of other assets

Increase in Rental - Buildings	199,905
Decrease in Operating Lease: Other Assets	(199,905)

IT Services expensese incorreclty classsifed as internet charges and hosting charges.

Increase in IT Services	349,302
Decrease in Internet Charge	(331,559)
Decase in Ext Comm Serv - Rec Ctr Hosting Chg	(17,743)

Transport expenses incorreclty classified as business & advisory, event promoters, employee wellness, advertising & publications, catering services and accomodation.

Increase in Tranpsort	278,603
Decrease in Business & Advisory	(63,320)
Decrease in Events Promoters	(10,760)
Decrease in Employee Wellness	(5,550)
Decrease in Advertising & Publications	(4,800)
Decrease in Catering Services	(194,060)
Decrease in Accomodation	(113)

Conferences & workshop expenses incorrectl classified as registration fees.

Increase in Conferences & Workshops	226,039
Decrease in Reg Fees National	(206,578)
Drecease in Reg Fees Prof & Regulatory Bodies	(19,461)

Uniform & protective clothing expenses incorreclty classified ad smunicipal services and business & advisory.

Increase in Uniform & Protective Clothing	265,125
Decrease in Municipal Services	(180,000)
Decrease in Business & Advisory	(85,125)

Rural Development expense incorrectly classified as advertsing, publication & marketing

Increase in Rural Development - Skills Dev & Training	250,492
Decrease in Adversiting/Publications/Marketing	(250,492)

Early childhood development exenses incorreclty classified as higher ecucation expenses

Increase in Rural Devedlopment: Early Childhood Development	64,491
Decrease in N-P UB SCH: Higher Education SA	(64,491)

Prior-year errors continued...

Rental of equipment incorrectly classified as

Increase in Rental of Equipment		92,000
Decrease in Opr Leases: Other Assets		(92,000)

35 Unauthorised expenditure

Opening balance as previously reported	315,165	-
Opening balance as restated	315,165	-
Add: Unauthorised Expenditure - prior year identified in the current year		315,165
Add: Unauthorised expenditure - current year	10,841,179	-
Less: Amount written off - current	(10,841,179)	-
Closing balance	315,165	315,165

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	10,234,553	-
Cash	606,626	-
	10,841,179	-

Unauthorised expenditure: Budget overspending – per municipal department

Council General	2,363,556	-
Mayor's Office	-	315,165
MAYCO	24,638	-
Information Technology	1,995	-
Emergency services	235,773	-
Finance	8,215,217	-
	8,477,623	-

Recoverability of unuathorised expenditure

Council resoloved per item 51 dated 28 June 2019 that the unauthorised expenditure of R315 165.08 be recovered

Council resolved per item 15 dated 30 August 2019 that the unauthorised expenditure related to the over-expenditure of the 2018/2019 financial year amounting to R10 841 179 be written off as irrecoverable.

36 Fruitless and wasteful expenditure

Opening balance as previously reported	25,590	-
Opening balance as restated	25,590	-
Add: Unauthorised Expenditure - prior year identified in the current year	(13,209)	36,462
Add: Unauthorised expenditure - current year	133,607	-
Less: Amount written off - current	-	(10,872)
Closing balance	145,988	25,590

Amounts recoverable

After the council committee investigations, council resoloved per item 51 dated 28 June 2019 that the fruitless expenditure of R145 987.74 be recovered.

37 Irregular expenditure

Opening balance as previously reported	8,062,831	2,014,421
Opening balance as restated	8,062,831	2,014,421
Add: Unauthorised Expenditure - prior year identified in the current year	20,434,004	6,114,745
Add: Unauthorised expenditure - current year	8,684,468	8,062,831
Less: Amount written off - current	(27,767,055)	(8,129,166)
Closing balance	9,414,248	8,062,831

Analysis of expenditure awaiting condonation per age classification

Cases under investigation

An amount of R2,257,124.07 spent on an HIV/Aids concert is still under investigation by MPAC

38 Cash generated from operations

Cash generated from operations has been accounted for after taking the the following into account:

(Deficit) surplus		
Adjustments for:		
Depreciation and amortisation	5,665,248	4,768,891
Actuarial gain	(178,000)	(1,892,000)
Finance costs - Finance leases	2,960,083	3,520,346
Movements in employee benefit assets and liabilities	2,498,000	1,364,000
Changes in working capital:		
Changes in Net Current Assets	(8,548,357)	(5,545,769)
	2,396,974	**2,215,468**

39 Analysis of material differences between budget and actual amounts

1 Other income - the increase relates to the administration charges for the implementation of Mafube projects.
2 Interest received - the difference is due to unexpected flactuations of interest rate.
3 Actuarial gains - the difference is because it was not budgeted for.
4 Grants and subsidies - Grants were regazetted for Mafube Local Municipality to Fezile Dabi District Municipality and they were not budgeted for the by district.
5 Donations income- Differences are as a result of recognition of actual costs of Work-in-Progress done by the FS Department of sport on Fezile Dabi Stadium.
6 Employee related costs - The difference is due to uncertainty in predicting salary increaments.
7 Repairs and maintenance - The difference is as a resulf of inability to predict breackdown of assets, particulalry fire engines.
8 Other expenses -
9 Grants and subsidies paid -
10 Depreciation and amortisation -
11 Finance Costs - The difference is as a result of under provision for leased equipment which was reclassified from operating to finance lease.
12 Bursaries - The difference is as a result of cost cutting measures.
13 Insurance -
14 Rentals - The difference is as a result of unforseen necesessity to rent other equipment on a once off basis.
15 Donations - Differences are as a result of MIG capital projects that then handed back (donated) to Mafube LM.
16 Property, plant and equipment - The difference is as a result of recognition of expenditure on Mafube LM MIG capital projects as assests instead of normal expenses and recognition of work-in-progress done by the FS Department of Sports on Fezile Dabi Stadium.
17 Inventory - The difference is as a result of reclassification of assests valued at below R 100 at year end to inventory.
18 Trade and other receivables - The difference is as a result of recoverable unathorised, irregular, frutiless and wasteful expenditure that council resolved for its recovery at year end.
19 Cash and cash equivalents - The diffference is as a result of underprovision forcall deposit accounts.
20 Employee benefit obligation - The diffeerence is as a result of underprovision for long-term employee benefit obligations.