Vhembe District Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	District Municipality
Nature of business and principal activities	Providing municipal services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment.
Mayoral committee	
Executive Mayor	Councillor DA Nenguda
Speaker	Councillor TF Nkondo
Chief Whip	Councillor RS Ndou
Members of the Mayoral Committee	Councillor TS Mbedzi
	Councillor NC Radamba
	Councillor PJ Chavani
	Councillor MR Magada
	Councillor NR Mathukha
Councillors	Councillor TS Magada
	Councillor TR Maingo
	Councillor DM Malada
	Councillor MJ Mariba
	Councillor O Netshisaulu
	Councillor E Madzunya
	Councillor LR Rambuwani
	Councillor MP Mathoma
	Councillor TN Maboya
	Councillor P Mashau
	Councillor SE Makhomisane
	Councillor AJ Masithi
	Councillor DE Tshishonge
	Councillor FA Mutheiwana
	Councillor R Raliphada
	Councillor TS Pandelane
	Councillor FA Mutheiwana
	Councillor R Raliphada
	Councillor TS Pandelane
	Councillor PE Mawela
	Councillor ET Muedi
	Councillor NE Ngobeni
	Councillor FN Madzhiga
	Councillor LR Maluleke
	Councillor SC Kwinda
	Councillor MJ Mpashe
	Councillor MS Tshilambyana
	Councillor TC Mamafha
	Councillor MS Matamela
	Councillor MM Mulaudzi
	Councillor MS Machete
	Councillor NA Mafhala
	Councillor CE Tshiredo
	Councillor AS Rambuda
	Councillor NL Baloyi
	Councillor G Tshililo

General Information

	Councillor MA Selapyane Councillor NJ Matumba Councillor R Ludere Councillor NG Mawela Councillor TG Mokwena Councillor TG Nethengwe Councillor AE Nekhunguni Councillor NM Malume Councillor RL Gadabeni Councillor GN Machobane Councillor TF Chauke Councillor FA Mutheiwana Councillor MP Temba Councillor MD Tharaga
Accounting Officer	T. S. Ndou
Registered office	Old Parliament Building Thohoyandou 0950
Postal address	Private Bag X5006 Thohoyandou 0950
Bankers	First National Bank
Auditors	Auditor General South Africa

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

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

I am responsible for the preparation of these annual financial statements, which are set out on pages 4 to 56, in terms of Section 126(1) of the Municipal Finance Management and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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

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

The municipality is substantially dependent on the government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Vhembe District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

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

Accounting Officer
Ndou T. S.

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in providing municipal services to communities in a sustainable manner, to promote social and economic development, and to promote a safe and healthy environment. The municipality operates principally in South Africa.

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

Net surplus of the municipality was R 189 612 784 (2018: surplus R 136 847 403).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 4 085 017 899 and that the municipality's total assets exceed its liabilities by R 4 085 017 899.

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.

3. Subsequent events

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

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed standards of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

The Council

The Council:

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

Chairperson and Chief Executive

Advocate E.N. Lambani was the chairperson of the audit committee for the year under review.

In terms of Section 166 of the Municipal Finance Management Act, municipality, must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipality onto the audit committee.

7. Bankers

The municipality has its primary bank account with First National Bank.

Accounting Officer's Report

8. Auditors

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

Vhembe District Municipality

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	30 331 976	17 356 216
Receivables from exchange transactions	3	40 303 749	64 805 431
Receivables from non-exchange transactions	4	242 056 936	226 837 836
VAT Receivable	5	223 933 502	132 428 485
Cash and cash equivalents	6	235 171 458	151 162 016
		771 797 621	**592 589 984**
Non-Current Assets			
Property, plant and equipment	7	4 409 841 015	4 159 709 860
Investment property	8	12 764 524	12 995 616
Intangible assets	9	11 915 356	12 103 079
		4 434 520 895	**4 184 808 555**
Total Assets		**5 206 318 516**	**4 777 398 539**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	923 144 743	730 128 574
Transfers payable (non-exchange)	11	45 096 952	45 096 952
Consumer deposits	12	4 409 170	4 409 170
Unspent conditional grants and receipts	13	93 029 819	49 175 388
Provisions	14	54 133 400	50 681 308
Finance lease obligation	15	1 099 649	1 113 482
		1 120 913 733	**880 604 874**
Non-Current Liabilities			
Finance lease obligation	15	386 884	1 370 611
Total Liabilities		**1 121 300 617**	**881 975 485**
Net Assets		**4 085 017 899**	**3 895 423 054**
Accumulated surplus		4 085 017 899	3 895 423 054

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Sale of water	17	149 936 614	136 417 381
Rendering of services		585 073	392 267
Rental of facilities and equipment	18	1 988	8 281
Sale of tender documents	19	2 399 961	1 014 002
Licences and permits		69 401	389 230
Interest earned	20	31 483 212	36 970 060
Other income	21	8 076 256	1 286 727
Total revenue from exchange transactions		**192 552 505**	**176 477 948**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	22	1 371 422 569	1 360 762 798
Total revenue	16	**1 563 975 074**	**1 537 240 746**
Expenditure			
Employee related costs	23	(520 575 669)	(447 052 353)
Remuneration of councillors	24	(13 331 815)	(13 918 539)
Depreciation and amortisation	25	(189 104 506)	(179 961 127)
Impairment loss	26	(119 017 090)	(382 422 084)
Finance costs	27	(1 642 741)	(3 236 718)
Bad debts written off	28	(13 947 910)	(12 867 710)
Bulk purchases	29	(107 245 208)	(71 018 558)
Contracted services	30	(254 470 058)	(154 264 355)
Loss on disposal of assets		(5 383 982)	-
General Expenses	31	(149 061 170)	(135 502 401)
Total expenditure		**(1 373 780 149)**	**(1 400 243 845)**
Operating surplus		**190 194 925**	**136 996 901**
Actuarial losses		(582 141)	(149 498)
Surplus for the year		**189 612 784**	**136 847 403**

Statement of Changes in Net Assets

Figures in Rand		Accumulated surplus	Total net assets
Opening balance as previously reported	-	5 506 152 970	5 506 152 970
Adjustments			
Correction of errors - Non current assets	-	(1 805 916 089)	(1 805 916 089)
Correction of error - Current liabilities	-	(46 067 053)	(46 067 053)
Correction of errors - Current assets	-	104 405 823	104 405 823
Balance at 01 July 2017 as restated*	**-**	**3 758 575 651**	**3 758 575 651**
Changes in net assets			
Surplus for the year	-	136 847 403	136 847 403
Total changes	-	136 847 403	136 847 403
Restated* Balance at 01 July 2018		**3 895 405 115**	**3 895 405 115**
Changes in net assets			
Surplus for the year		189 612 784	189 612 784
Total changes		189 612 784	189 612 784
Balance at 30 June 2019		**4 085 017 899**	**4 085 017 899**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		170 351 875	115 867 014
Grants		1 415 277 000	1 386 920 465
Interest income		31 483 212	36 970 060
		1 617 112 087	1 539 757 539
Payments			
Employee costs		(533 907 484)	(460 970 892)
Suppliers		(418 788 952)	(236 872 415)
Finance costs		(1 642 741)	(3 236 718)
		(954 339 177)	(701 080 025)
Net cash flows from operating activities	32	**662 772 910**	**838 677 514**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(575 914 031)	(524 914 154)
Purchase of other intangible assets	9	(1 851 877)	(1 304 348)
Movements in financial Investments		-	(317 382 956)
Net cash flows from investing activities		**(577 765 908)**	**(843 601 458)**
Cash flows from financing activities			
Finance lease obligations		(997 560)	2 484 093
Net increase/(decrease) in cash and cash equivalents		**84 009 442**	**(2 439 851)**
Cash and cash equivalents at the beginning of the year		151 162 016	153 601 867
Cash and cash equivalents at the end of the year	6	**235 171 458**	**151 162 016**

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	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of tender documents	915 996	1 337 004	**2 253 000**	2 399 961	**146 961**	Final budget
Sale of water	105 021 000	7 000	**105 028 000**	149 936 614	**44 908 614**	Final budget
Rendering of services	121 008	17 992	**139 000**	585 073	**446 073**	Final budget
Rental of facilities and equipment	-	4 000	**4 000**	1 988	**(2 012)**	Final budget
Licences and permits	-	351 000	**351 000**	69 401	**(281 599)**	
Other income	-	-	**-**	8 076 256	**8 076 256**	
Interest received - investment	21 999 996	-	**21 999 996**	31 483 212	**9 483 216**	Final budget
Total revenue from exchange transactions	**128 058 000**	**1 716 996**	**129 774 996**	**192 552 505**	**62 777 509**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	914 162 424	550 502 585	**1 464 665 009**	1 371 422 569	**(93 242 440)**	Final budget
Total revenue	**1 042 220 424**	**552 219 581**	**1 594 440 005**	**1 563 975 074**	**(30 464 931)**	
Expenditure						
Employee related costs	(588 834 576)	19 055 576	**(569 779 000)**	(520 575 669)	**49 203 331**	Final budget
Remuneration of councillors	-	(10 403 000)	**(10 403 000)**	(13 331 815)	**(2 928 815)**	Final budget
Depreciation and amortisation	-	(20 000 000)	**(20 000 000)**	(308 121 596)	**(288 121 596)**	Final budget
Finance costs	(1 190 772)	(228)	**(1 191 000)**	(1 642 741)	**(451 741)**	Final budget
Debt Impairment	(2 065 320)	(25 725 680)	**(27 791 000)**	(13 947 910)	**13 843 090**	Final budget
Bulk purchases	-	(27 900 000)	**(27 900 000)**	(107 245 208)	**(79 345 208)**	Final budget
Contracted Services	(163 558 644)	97 856 644	**(65 702 000)**	(254 470 058)	**(188 768 058)**	Final budget
General Expenses	(150 979 824)	(81 511 176)	**(232 491 000)**	(149 061 170)	**83 429 830**	Final budget
Total expenditure	**(906 629 136)**	**(48 627 864)**	**(955 257 000)**	**(1 368 396 167)**	**(413 139 167)**	
Operating surplus	**135 591 288**	**503 591 717**	**639 183 005**	**195 578 907**	**(443 604 098)**	
Loss on disposal of assets and liabilities	-	-	**-**	(5 383 982)	**(5 383 982)**	
Surplus before taxation	**135 591 288**	**503 591 717**	**639 183 005**	**190 194 925**	**(448 988 080)**	
Taxation	-	-	**-**	582 141	**582 141**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**135 591 288**	**503 591 717**	**639 183 005**	**189 612 784**	**(449 570 221)**	

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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Comparative Information

Comparative Information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Municipal Standard Charts of Accounts implementation and reclassification

The municipal Regulations on Stardand Chart of Accounts promulgated in terms of Government Gazette 37577 dated 22 April 2014 apply to all municipalities and municipal entities and became effective from 01 July 2017.

The main objective of this regulation is to provide for a national standard in respect of uniform recording and classification of municipal budget and financial information at a transaction level by prescribing a standard chart of accounts for municipalities and municipal entities which:

- are aligned to budget formats and accounting standards prescribed for municipalities and municipal entities and with the standard chart of accounts for national provincial government, and
- enable uniform information sets recorded in terms of national norms and standards across the whole of government for the purpose of national policy coordination and reporting, benchmarking and performance measurement in local government sphere.

  The impact of this mSCOA regulations definitely affected the municipality's current business processes; transacting and reporting requirements.

1.4 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:

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus 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 trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Impairment testing

The recoverable amounts of 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.

Value in use of cash generating assets.

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. In addition, goodwill is tested on an annual basis for impairment. 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 goodwill and tangible 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 inflation and interest.

Value in use of non- cash generating assets.

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. 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 dependant on the availability of data and the nature of the impairment

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 14 - Provisions.

Effective interest rate

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

Allowance for doubtful debts

On 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 debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The recoverability percentage on receivables is calculated annual per receivables category.

Useful lives of waste and water network and other assets

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

Accounting Policies

1.5 Investment property

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

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

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

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

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

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

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

Cost model

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

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

Item	Useful life
Property - buildings	30 -65 years

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

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

Accounting Policies

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair 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 restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

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.

1.6 Property, plant and equipment (continued)

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 directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

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

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

Item	Depreciation method	Average useful life
Land	Straight line	indefinite
Buildings	Straight line	65 years
Plant and machinery	Straight line	5-21 years
Furniture and fixtures	Straight line	3-26 years
Transport assets	Straight line	4-40 years
Office equipment	Straight line	2-30 years
Computer equipment	Straight line	2-12 years
Infrastructure	Straight line	5-80 years
Community assets	Straight line	30 years
Other property, plant and equipment	Straight line	3-27 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

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

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

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

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

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

1.7 Intangible assets

An asset is identifiable if it either:

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

1.7 Intangible assets (continued)

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

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

After initial recognition, intangible assets are carried at revalued amount, being fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that at the reporting date the carrying amount of the asset does not differ materially from its fair value.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	**Useful life**
Computer software, other	3-20 years

Accounting Policies

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.

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

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

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

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

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

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

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

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

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

A financial asset is:

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

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

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

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

Accounting Policies

1.8 Financial instruments (continued)

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Finance Lease obligation	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

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

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

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

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

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

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

Financial liabilities

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

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

1.8 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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 entity assesses the classification of each element separately.

Finance leases - lessor

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

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

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 .

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

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

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

1.10 Inventories (continued)

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

1.11 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

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.

1.11 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

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 risk-free rate of interest 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.

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.12 Impairment of non-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.

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also test 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.

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.

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),

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.13 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.

1.14 Employee benefits

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which an entity 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.

Accounting Policies

1.14 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity 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 entity during a reporting period, the entity recognise 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, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve 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 reflect the time value of money is consistent with the currency and estimated term of the obligation.

Accounting Policies

1.14 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 entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.14 Employee benefits (continued)

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The entity 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 entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Accounting Policies

1.14 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

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

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

1.14 Employee benefits (continued)

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.15 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

1.15 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Revenue from exchange transactions

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

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

1.16 Revenue from exchange transactions (continued)

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

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Interest, royalties and dividends

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

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

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

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

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.17 Revenue from non-exchange transactions

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

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

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

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

Recognition

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

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

Measurement

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

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.

1.18 Borrowing costs

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

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 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

1.21 Fruitless and wasteful expenditure (continued)

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

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

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

1.23 Commitments

Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:
-approved and contracted commitments;
-where the expenditure has been approved and the contract has been awarded at the reporting date; and
-where disclosure is required by a specific standard of GRAP.

1.24 Use of estimates

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

1.25 Budget information

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

1.25 Budget information (continued)

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

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

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

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

The 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.

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

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

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

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

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

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

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

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

1.27 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the financial statements.

Events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the financial statements.

Accounting Policies

1.28 Value-added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. Returns on value added tax are submitted using the payments basis.
The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Reporting on value added tax on the annual financial statements is accounted for using the accrual basis.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. Inventories

Maintenance materials	9 798 774	796 809
Water	1 050 241	1 710 584
Consumable stores	19 482 961	14 848 823
	30 331 976	**17 356 216**

Inventory pledged as security

No inventories were pledged as security for liabilities in the current financial year.

Water inventory expensed

Expensed inventory for the year is as follows: water R106 584 864 , consumables R19 185 756, maintenance materials R1 531 205.

3. Receivables from exchange transactions

Gross balances		
Consumer debtors	196 145 422	109 363 346
Consumer Debtors - Musina	24 586 325	19 670 136
Rental Debtors	-	392 245
Other trade receivables	-	418 832
	220 731 747	**129 844 559**
Less: Allowance for impairment		
Provision for debt impairment	(180 427 998)	(65 039 128)
Net balance		
Consumer debtors	196 145 422	109 363 346
Consumer debtors - Musina	24 586 325	19 670 136
Rental debtors	-	392 245
Other trade receivables	-	418 832
Provision for debt impairment	(180 427 998)	(65 039 128)
	40 303 749	**64 805 431**

Water and Sewage		
Current (0 -30 days)	22 306 070	13 612 909
31 - 60 days	16 602 860	20 640 004
61 - 90 days	12 981 712	11 912 281
91 - 120 days	11 313 967	5 260 787
121 - 150 days	10 287 397	3 280 308
151 - 180 days	9 767 426	4 294 113
181 - 210 days	41 807 259	10 998 978
210 days to over 1 year	95 665 056	59 034 102
	220 731 747	**129 033 482**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(65 039 128)	(289 303 920)
increase in allowance	(115 388 870)	(65 039 128)
Debt impairment written off against bad debts	-	289 303 920
	(180 427 998)	**(65 039 128)**

4. Receivables from non-exchange transactions

Sundry debtors	-	13 710 596
Debtors - Mutale	-	1 373 245
Debtors - Musina	242 028 550	211 725 609
Other receivables	28 386	28 386
	242 056 936	**226 837 836**

5. VAT Receivable

Vat	223 933 502	132 428 485

The Municipality accounts for Value Added Tax on the payment basis.

Figures in Rand	2019	2018

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	1 107	1 107
Bank balances	234 873 561	150 796 207
Short-term deposits	296 790	364 702
	235 171 458	**151 162 016**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
FNB - Current Account (Main) - 62021931458	141 192 287	89 784 342	20 595 389	116 072 180	82 151 898	(72 832 479)
FNB - Call Account - 62036334803	296 789	282 202	-	296 789	364 702	-
FNB Thulamela Water - 62370162733	88 440 437	42 704 975	9 913 943	88 569 731	49 907 355	-
FNB - Makhado Water - 6238768968	29 131 093	17 573 742	7 721 400	29 147 912	17 785 718	-
FNB - Mutale Water - 62407577131	1 358 381	907 440	596 136	1 358 381	655 736	-
Total	**260 418 987**	**151 252 701**	**38 826 868**	**235 444 993**	**150 865 409**	**(72 832 479)**

7. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	6 350 000	-	6 350 000	6 350 000	-	6 350 000
Buildings	125 081 074	(34 958 866)	90 122 208	124 083 710	(30 772 183)	93 311 527
Plant and machinery	9 132 112	(5 125 342)	4 006 770	9 316 063	(3 150 048)	6 166 015
Furniture and fixtures	13 302 080	(7 835 451)	5 466 629	12 324 897	(5 863 695)	6 461 202
Transport assets	69 403 396	(36 839 648)	32 563 748	66 932 396	(28 829 425)	38 102 971
Computer equipment	6 925 437	(4 947 239)	1 978 198	7 919 460	(4 412 959)	3 506 501
Infrastructure	3 407 182 637	(493 659 257)	2 913 523 380	3 240 257 981	(325 645 175)	2 914 612 806
Community assets	27 168 032	(6 787 808)	20 380 224	27 168 032	(5 882 998)	21 285 034
Other property, plant and equipment	20 712 133	(11 355 739)	9 356 394	33 055 851	(15 864 845)	17 191 006
Leased assets	2 876 355	(1 591 897)	1 284 458	2 876 355	(635 107)	2 241 248
Work in progress	1 324 809 006	-	1 324 809 006	1 050 481 550	-	1 050 481 550
Total	**5 012 942 262**	**(603 101 247)**	**4 409 841 015**	**4 580 766 295**	**(421 056 435)**	**4 159 709 860**

es to the Annual Financial Statements

s in Rand

roperty, plant and equipment (continued)

ciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Depreciation	Impairment loss	Total
l	6 350 000	-	-	-	-	-	6 350 000
gs	93 311 527	997 364	-	-	(4 186 683)	-	90 122 208
nd machinery	6 166 015	-	(107 428)	-	(678 757)	(1 373 060)	4 006 770
re and fixtures	6 461 202	977 183	(506 361)	-	(1 197 705)	(267 690)	5 466 629
ort assets	38 102 971	2 471 001	-	-	(6 477 780)	(1 532 444)	32 563 748
ter equipment	3 506 501	39 500	(57 287)	-	(1 467 041)	(43 475)	1 978 198
ucture	2 914 612 806	-	-	166 453 396	(167 542 822)	-	2 913 523 380
unity assets	21 285 034	-	-	-	(904 810)	-	20 380 224
property, plant and equipment	17 191 006	711 270	(4 712 905)	-	(3 421 426)	(411 551)	9 356 394
l Assets	2 241 248	-	-	-	(956 790)	-	1 284 458
n progress	1 050 481 550	440 780 852	-	(166 453 396)	-	-	1 324 809 006
	4 159 709 860	**445 977 170**	**(5 383 981)**	**-**	**(186 833 814)**	**(3 628 220)**	**4 409 841 015**

ciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Depreciation	Total
l	6 350 000	-	-	-	6 350 000
gs	97 445 729	-	-	(4 134 202)	93 311 527
nd machinery	6 844 772	-	-	(678 757)	6 166 015
re and fixtures	4 250 570	650 608	2 532 207	(972 183)	6 461 202
ort assets	42 280 136	2 042 038	-	(6 219 203)	38 102 971
equipment	2 532 207	-	(2 532 207)	-	-
ter equipment	3 900 687	980 365	-	(1 374 551)	3 506 501
ucture	2 796 322 651	-	279 150 505	(160 860 350)	2 914 612 806
unity assets	22 190 635	-	-	(905 601)	21 285 034
property, plant and equipment	15 901 174	3 711 055	-	(2 421 223)	17 191 006
l Assets	-	2 876 355	-	(635 107)	2 241 248
n progress	789 177 736	540 454 319	(279 150 505)	-	1 050 481 550
	3 787 196 297	**550 714 740**	**-**	**(178 201 177)**	**4 159 709 860**

7. Property, plant and equipment (continued)

Ownership

Vhembe District Municipality has buildings structures such as Mititi, Makuya MPCC, Musina fire station, Disaster Muledane and Water reservoirs on land it does not have ownership of. The process of obtaining the ownership and rights of land is currently underway.

The municipality performed the residual value movement on vehicles and assessment of other movable assets. It was considered that the assets with zero book value will be sold in following financial year, hence the assessment was not effected as those amounts are not significant.

No property, plant and equipment were pledged as security for liabilities.

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

Depreciation rates

8. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	14 800 000	(2 035 476)	12 764 524	14 800 000	(1 804 384)	12 995 616

Reconciliation of investment property - 2019

	Opening balance	**Depreciation**	**Total**
Investment property	12 995 616	(231 092)	12 764 524

Reconciliation of investment property - 2018

	Opening balance	**Depreciation**	**Total**
Investment property	13 226 866	(231 250)	12 995 616

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.

9. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, other	18 753 769	(6 838 413)	11 915 356	16 901 892	(4 798 813)	12 103 079

Figures in Rand	2019	2018

9. Intangible assets (continued)

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	12 103 079	1 851 877	(2 039 600)	11 915 356

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	12 327 431	1 304 348	(1 528 700)	12 103 079

10. Payables from exchange transactions

	2019	2018
Trade payables	16 789 455	48 097 456
Payments received in advanced	46 052 703	40 847 922
Retention	129 642 464	127 237 890
Accrued bonus	10 582 445	9 795 042
Accrued expense	353 658 513	162 842 260
Other payables	10 839 984	19 236 181
Creditors - Musina	251 001 908	220 165 830
Creditors - Makhado	96 881 800	93 839 072
Sundry deposits	4 477 067	4 477 068
Deffered revenue from water connections	3 218 404	3 589 853
	923 144 743	**730 128 574**

11. Transfers payable (non-exchange)

	2019	2018
Transfers payable	45 096 952	45 096 952

12. Consumer deposits

	2019	2018
Water	4 409 170	4 409 170

13. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts	2019	2018
Municipal Infrastructure Grant	88 074 017	32 536 816
Municipal Water Infrastructure Grant	4 454 042	15 009 190
Expanded Public Works Programme Integrated Grant	418 107	711 279
Local Government Financial Management Grant	83 653	-
Public Transport Network Grant	-	918 103
	93 029 819	**49 175 388**

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

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

See note 22 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

14. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Leave provision	43 089 790	6 891 566	(2 831 290)	-	47 150 066
Performance bonus	91 138	-	-	-	91 138
Long service award	7 500 380	2 311 958	(2 338 001)	(582 141)	6 892 196
	50 681 308	**9 203 524**	**(5 169 291)**	**(582 141)**	**54 133 400**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reduction due to re-measurement or settlement without cost to entity	Total
Leave provision	42 262 820	3 818 868	(2 991 898)	-	43 089 790
Performance bonus	91 138	-	-	-	91 138
Long service award	7 117 265	1 133 231	(600 618)	(149 498)	7 500 380
	49 471 223	**4 952 099**	**(3 592 516)**	**(149 498)**	**50 681 308**

The principle assumptions	**2019**	**2018**
Discount rate	7,39 %	8,28 %
CPI	4,04 %	5,09 %
Net Effective Discount rate	2,24 %	2,06 %
Expected Retirement Age - Females	63 Years	63 Years
Expected Retirement Age - Males	63 Years	63 Years

Leave provision

Employees entitlement to annual leave is recognised when it accrues. A provision is made on the estimated liability for annual leave as a result of services rendered by employees up to the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable than an ouflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Long Service Award provisions

Benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The leave days awarded have been converted to a percentage of annual salary to the next interval by allowing for future salary growth.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Finance lease obligation

Minimum lease payments due		
- within one year	1 099 649	1 113 482
- in second to fifth year inclusive	386 884	1 370 611
	1 486 533	2 484 093
less: future finance charges	(114 629)	(294 142)
Present value of minimum lease payments	**1 371 904**	**2 189 951**

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

The average lease term was three years and the average effective borrowing rate was 10%

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

16. Revenue

Service charges - Water	149 936 614	136 417 381
Sale of goods	2 399 961	1 014 002
Rendering of services	585 073	392 267
Rental of facilities and equipment	1 988	8 281
Licences and permits	69 401	389 230
Interest received	31 483 212	36 970 060
Government grants & subsidies	1 371 422 569	1 360 762 798
Other income	8 076 256	1 286 727
	1 563 975 074	**1 537 240 746**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	149 936 614	136 417 381
Sale of goods	2 399 961	1 014 002
Rendering of services	585 073	392 267
Rental of facilities and equipment	1 988	8 281
Licences and permits	69 401	389 230
Interest received	31 483 212	36 970 060
Other income	8 076 256	1 286 727
	192 552 505	**176 477 948**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Transfer revenue		
Government grants & subsidies	1 371 422 569	1 360 762 798

17. Service charges

Sale of water	149 936 614	136 417 381

18. Rental of facilities and equipment

Premises		
Premises	1 988	8 281

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Sale of tender documents

Tender documents	2 399 961	1 014 002

20. Interest earned

Interest revenue		
Bank	25 693 497	36 970 060
Interest charged on overdue trade and other receivables	5 789 715	-
	31 483 212	**36 970 060**

21. Other income

Water connections & Sanitation	8 076 256	1 286 727

Figures in Rand	2019	2018

22. Government grants and subsidies

Operating grants		
Equitable share	910 477 000	824 727 469
Financial management grant	1 781 347	1 795 000
Public Transport Network Grant	2 249 000	1 325 897
Expanded public works programme grant	796 893	604 717
	915 304 240	**828 453 083**
Capital grants		
Municipal infrastructure grant	415 572 371	500 623 184
Water services infrastructure grant	40 545 958	31 686 531
	456 118 329	**532 309 715**
	1 371 422 569	**1 360 762 798**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	460 945 569	536 035 329
Unconditional grants received	910 477 000	824 727 469
	1 371 422 569	**1 360 762 798**

Equitable Share

In terms of the Division of Revenue Act, the annual equitable share allocated to the municipality is an unconditional grant. A portion of this grant is used to subsidise the provision of basic services to indigent community members in line with national policy.

Municipal Infrastructure Grant

Balance unspent at beginning of year	32 536 816	8 800 000
Current-year receipts	503 646 000	524 360 000
Conditions met - transferred to revenue	(415 572 371)	(500 623 184)
Offset	(32 536 428)	-
	88 074 017	**32 536 816**

The grant is used to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

Conditions still to be met - remain liabilities (see note 13).

Water Services Infrastructure Grant

Balance unspent at beginning of year	15 009 190	14 217 721
Current-year receipts	45 000 000	32 478 000
Conditions met - transferred to revenue	(40 545 958)	(31 686 531)
Offset	(15 009 190)	-
	4 454 042	**15 009 190**

This grant is used to facilitate the planning and implementation of various water and onsite sanitation projects to accelerate backlog reduction and enhance the sustainability of services, especially in rural municipalities; support drought relief project in affected municipalities.

Conditions still to be met - remain liabilities (see note 13).

Figures in Rand	2019	2018

22. Government grants and subsidies (continued)

Financial Management Grant

Current-year receipts	1 865 000	1 795 000
Conditions met - transferred to revenue	(1 781 347)	(1 795 000)
	83 653	**-**

This grant is used to strengthen capacity and upskilling officials in the Busdget and Treasury Office; the acquisition, upgrade and maintenace of Financial Management Systems, to support the preparation and timely submission of Annual Financial Statements for Audits.(see note 13).

Expanded Public Works Programme

Balance unspent at beginning of year	711 279	-
Current-year receipts	1 215 000	1 316 000
Conditions met - transferred to revenue	(796 893)	(604 721)
Offset	(711 279)	-
	418 107	**711 279**

This grant is used to incentivise Municipalities to Expand Work creation efforts through the use of Labour Intensive delivery methods.Conditions have been met. (see note 13).

Figures in Rand	2019	2018

22. Government grants and subsidies (continued)

Rural Roads Asset Management Systems Grant

	2019	2018
Balance unspent at beginning of year	918 103	-
Current-year receipts	2 249 000	2 244 000
Conditions met - transferred to revenue	(2 249 000)	(1 325 897)
Offset	(918 103)	-
	-	**918 103**

This grant is used to assist District Municipalities to set up Rural RAMS and collect road, bridges and traffic data on municipal road networks in line with the road infrastructure strategic framework for South Africa (RISFSA).

23. Employee related costs

	2019	2018
Basic	328 710 283	283 380 596
Bonus	28 437 753	22 266 088
Social contributions: Bargaining Council	(36 990)	143 501
Social contributions: Medical aid	14 854 064	12 114 951
Social contributions: Pension	56 673 525	49 159 121
Social contributions: Unemployment Insurance Fund	2 558 511	2 585 661
Allowance: Overtime	37 339 856	32 957 699
Allowance: Housing benefits	340 491	10 231 259
Allowance: Travel or motor car, accommodation, subsistence	27 920 163	26 392 792
Allowance: Standby	10 390 558	2 191 061
Allowance: Other	39 255	121 498
Other benefits: Long-service awards	6 554 620	2 500 626
Leave pay provision charge	6 793 580	3 007 500
	520 575 669	**447 052 353**

Municipal Manager

	2019	2018
Annual Remuneration	571 913	832 337
Acting allowance	100 383	-
Backpay	39 792	32 968
Car Allowance	169 736	221 265
Car Reimbursement	22 115	95 025
Cellphone allowance	20 000	30 000
Contributions to UIF, medical and pension funds	218 709	318 346
Subsistence Allowance	957	6 705
	1 143 605	**1 536 646**

Chief Finance Officer

	2019	2018
Annual Remuneration	517 984	657 757
Back Pay	32 888	-
Acting Allowance	34 068	-
Car Allowance	90 450	108 000
Car re-imbursement	-	66 143
Contributions to UIF, Medical and Pension Funds	166 150	128 157
Housing Allowance	18 800	24 000
Non-pensionable Income	128 934	162 641
Cellphone Allowance	19 300	24 000
Bonus	57 554	54 813
Subsistence Allowance	128	7 492
	1 066 256	**1 233 003**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Employee related costs (continued)

Technical Manager

Annual Remuneration	706 184	657 757
Back Pay	69 345	-
Car Allowance	184 585	164 277
Car re-imbursement	-	72 975
Cellphone Allowance	24 000	24 000
Contributions to UIF, Medical and Pension Funds	11 257	131 421
Non pensionable income	292 630	246 659
Subsistence Allowance	847	-
Bonuses	-	1 961
	1 288 849	**1 299 050**

General Manager Planning

Annual Remuneration	711 779	116 019
Back pay	32 510	-
Car allowance	92 025	25 581
Cellphone Allowance	24 000	4 000
Contributions to UIF, Medical and Pension Funds	140 460	27 787
Housing Allowance	192 178	15 662
Other	-	4 000
Overtime	-	34 806
Bonuses	56 047	-
Car Reimbusement	46 784	-
Subsistence	2 053	-
	1 297 836	**227 855**

General Manager Corporate Services

Annual Remuneration	711 779	348 058
Acting Allowance	9 181	6 240
Back Pay	32 510	-
Car allowance	221 860	108 489
Car reimbursement	3 783	30 743
Cellphone allowance	24 000	12 000
Contributions to UIF, Medical and Pension Funds	203 417	98 845
Bonuses	61 142	24 171
Subsistence Allowance	1 066	1 849
	1 268 738	**630 395**

General Manager Community Services

Annual Remuneration	697 988	659 132
Car Allowance	182 506	143 954
Bonuses	56 040	53 371
Contributions to UIF, Medical and Pension Funds	194 035	183 756
Back Pay	32 510	20 910
Car Reimbursement	5 952	28 706
Cellphone Allowance	24 000	24 000
Subsistence Allowance	223	2 035
	1 193 252	**1 115 864**

The above remuneration was paid to key management and are included in the Employee Related Costs Note above.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Remuneration of councillors

Executive Mayor	744 054	873 158
Chief Whip	474 155	755 237
Speaker	505 764	669 721
Mayoral Committee Members	3 909 645	3 477 857
Councillors	7 698 197	8 142 565
	13 331 815	**13 918 538**

In-kind benefits

The Executive Mayor, the Speaker and the Chief Whip serve on a full time basis. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor is not provided with a Mayoral residence. The Executive Mayor has use of a Council owned vehicle for official duties.

The Remuneration of Political office bearers and Councillors are within the upper limits as determined by the framework refered to in Section 219 of the Constitution.

25. Depreciation and amortisation

Property, plant and equipment	189 104 506	179 961 127

26. Impairment of assets

Impairments		
Property, plant and equipment	3 628 220	-
Property, plant and equipment whose condition was assessed to be very poor and broken was impaired during the year.		
Investments	-	317 382 956
The investment in VBS mutual bank has been impaired due to the bank being placed under curatorship. It is not certain that the this investment will be recovered.		
Trade and other receivables	115 388 870	65 039 128
Consumer debtors have been assessed for impairment at the end of each reporting period based debt impairment policy and all consumer debtors with an objective evidence of impairment have been impaired.		
	119 017 090	**382 422 084**

27. Finance costs

Interest on late payments	1 642 741	3 236 718

28. Bad debts

Bad debts written off	13 947 910	12 867 710

29. Bulk purchases

Water	107 245 208	71 018 558

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

30. Contracted services

Outsourced Services		
Administrative and Support Staff	5 949 792	2 200 000
Business and Advisory	86 989	53 990
Call Centre	-	9 200
Hygiene Services	28 276	14 300
Medical Services [Medical Health Services & Suppor	4 532	7 085
Personnel and Labour	22 166 761	10 618 868
Professional Staff	706 408	81 750
Consultants and Professional Services		
Business and Advisory	20 468 485	28 036 262
Infrastructure and Planning	20 398 084	11 135 807
Laboratory Services	28 009	3 619 070
Legal Cost	12 849 483	15 221 175
Contractors		
Employee Wellness	31 652	283 426
Event Promoters	258 380	183 736
Maintenance of Buildings and Facilities	750 320	175 224
Maintenance of Equipment	165 064 508	592 862
Maintenance of Unspecified Assets	5 678 379	82 017 922
Safeguard and Security	-	13 678
	254 470 058	**154 264 355**

31. General expenses

Audit Fees	6 200 932	3 181 074
Advertising	2 273 572	1 503 360
Assessment rates & municipal charges	29 215 251	1 094 486
Bank charges	169 738	206 342
Sanitation Expenses	-	1 366 502
Licences	221 426	541 793
Consumables	2 069 296	7 634 154
Entertainment	105 588	119 577
Copyright fees	9 975	12 580
Lease rentals on operating lease	1 224 641	992 094
Insurance	5 233 979	5 169 363
Conferences and seminars	150 832	227 339
Events	1 103 227	745 524
Marketing	-	57 205
Skills development fund	-	4 320
Fuel and oil	6 654 041	6 676 901
Postage and courier	6 290	291 691
Protective clothing	1 081 169	-
Subscriptions and membership fees	5 705 595	5 153 801
Telephone and fax	3 983 570	4 098 495
Travel - local	333 035	883 094
Electricity	40 416 876	45 591 932
Water services expenditure	33 763 724	34 510 038
Accommodation	1 202 517	2 475 362
Mayor's bursary fund	1 173 974	2 009 033
Chemicals	6 761 922	10 956 341
	149 061 170	**135 502 401**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

32. Cash generated from operations

Surplus	189 612 784	136 847 403
Adjustments for:		
Depreciation and amortisation	189 104 506	179 961 127
Gain on sale of assets and liabilities	5 383 982	-
Impairment loss	119 017 090	382 422 084
Bad debts	13 947 910	12 867 710
Movements in provisions	3 452 092	1 210 085
Actuarial gains / losses	582 141	149 498
Changes in working capital:		
Inventories	(12 975 760)	17 842 515
Receivables from exchange transactions	24 501 682	4 785 603
Other receivables from non-exchange transactions	(15 219 100)	(28 426 477)
VAT Receivable	(91 505 017)	(22 391 728)
Payables from exchange transactions	193 016 169	156 145 027
Taxes and transfers payable (non exchange)	-	(28 893 000)
Unspent conditional grants and receipts	43 854 431	26 157 667
	662 772 910	**838 677 514**

Figures in Rand	2019	2018

33. Commitments

Capital commitments

Already contracted for but not provided for		
• Infrastructure	1 912 960 823	1 097 513 842
Total capital commitments		
Already contracted for but not provided for	1 912 960 823	1 097 513 842

Authorised operational expenditure

Already contracted for but not provided for		
• Telephone, Data, Network, and Software expenses	-	2 017 720
• Supply of Office Materials	-	169 435
• Provision of Quarterly Newsletters	594 000	729 000
• Supply of petrol	-	2 513
• Development of Sludge Management Plan for Waste Water Works	4 294 000	524 400
• Repairs of Office Equipment, Plant and Transport Assets	1 646 796	1 998 426
• Provision of Office Furniture and Equipment	-	1 400 830
• Supply of Materials	-	316 391
• Supply and Installation of Laboratory Shelves	-	1 343 372
• Storage and Server Visualisation	463 587	1 463 587
• Onsite Support and Financial Year-end Readiness Process	-	34 845
• Supply of Diesel	-	675 450
• Purchase of Water Tanker Truck	-	2 599 199
• Catering Services	2 500	14 650
• Refurbishment, Testing, Drilling and Cleaning of Boreholes and Water Pumps	8 815 385	17 448 920
• Provision of Transport Facilities	39 500	34 000
• Renovation and Supply of Window blinds at a Fire Station	-	2 931 317
• Testing of Transport assets Road Worthiness	-	13 760
• Advertising	-	7 300
• Accommodation, flight, meal and car hire	70 990	21 506
• MPAC Training course for MPAC committees	-	71 250
• Supply of 210 Sea20w 50 at Sibasa	-	104 000
• Supply of 15kg Multi-Purpose grease at Sibasa	-	43 980
• Supply of 25kg HTH granular at Malamulele and Mhinga	-	77 511
• Supply of Uniforms and Protective Clothing	3 335 873	-
• Staff training	720 000	-
• Supply of Portable Air Quality Monitoring Equipment	190 000	-
• Installation of Prepaid Meters	2 933 550	-
• Review of Intergrated Transport Plan	882 963	-
• Supply of Motor Vehicles	662 977	-
• Construction of Concrete Pump House	230 150	-
• Office Software	1 364 520	-
• Property, Plant and Equipment Verification	1 500 000	-
	27 746 791	**34 043 362**
Total operational commitments		
Already contracted for but not provided for	27 746 791	34 043 362

Total commitments

Total commitments		
Authorised capital expenditure	1 912 960 823	1 097 513 842
Authorised operational expenditure	27 746 791	34 043 362
	1 940 707 614	**1 131 557 204**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

33. Commitments (continued)

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	2 043 543	1 297 537
- in second to fifth year inclusive	371 161	1 166 425
	2 414 704	**2 463 962**

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Figures in Rand	2019	2018

34. Contingencies

Contingent Liabilities:

Capstain Trading 215 CC	608 660	608 660
Getrudsburg Community	17 375 599	17 375 599
MICS Empowerment Group	1 508 531	1 508 531
Generic Core/Debrob Business Enterprises	904 924	904 924
Tricks Wrought Iron Services (Pty) Ltd	1 419 871	1 419 870
Gudani Security	2 300 064	2 300 064
Sharon Pipeline Specialists	2 488 975	2 488 975
Nevondo Azwihangwisi Andries	2 000 000	-
Tinyiko Manganyi OBO Manganyi Andile	4 100 000	1 000 000
Munzhelele Mashudu Maryrose	5 000 000	5 000 000
Mundalamo Madala	33 314	-
Tshwane Trading	595 650	-
Konani Trading	783 864	1 379 514
K. T. Ntsikazi	3 708 956	3 708 956
Minister of Water and Sanitation	307 083 113	307 083 113
Stan South Financial and Investment Services cc	11 644 558	11 644 558
Hermans Truck Accident Repairs (Pty) Ltd	142 843	142 843
Thiambi Winnie Phuluwa	200 000	200 000
Risimati Christopher Mabasa	35 707	-
BMK Electronics	3 899 792	-
Babusekile Business Enterprises	2 312 958	-
RYM Construction Enterprise	2 033 290	-
Telkom SA	-	9 119
	370 180 669	**356 774 726**

34. Contingencies (continued)

1. **Capstain TradingU**
Capstain Trading is litigating against the Municipality and is disputing the validity of a cession that is purported to have been signed between the Capstain as the cedar and the third party. On the strength of the cession agreement the Municipality paid the third party an amount of R 608,660.42. The Municipality is defending the case. The case is pending.

2. **Getrusburg Community Property Association**
The Association is suing the Makhado Municipality for R 17 375 599.00 for drawing borehole water from its premises without consent. Makhado Municipality has joined VDM as a Water Services Authority. The Municipality is defending the case.

3. **MICS Empowerment**
MICS Empowerment is litigating against the Municipality as they are alleging that they have serviced water equipment which was taken from the National Department of Water Affairs as the former Water Service Authority. The Municipality is disputing the claim as it does not have a contractual relationship with MICS Empowerment. They are suing for R 1,508,531.33. Disbursements for the case are estimated at R300 000. 00. The case is still pending

4. **Generic Core/Denrob Business Enterprises**
Generic Core, a sub-contractor, is suing Denrob Business Enterprises for R 904,924.10 for work performed. The Municipality is a joinder due to a contractual relationship with Denrob Enterprises as the main contractor. The estimated disbursement is R400, 000.00 and the case is still pending.

5. **Tricks Wought**
Tricks Wrought instituted a claim of R 1,419, 871.00 as a result of the Municipality not honouring a cession agreement. The Municipality is disputing the claim. The case is pending.

6. **Gudani Security**
Gudani Security is litigating against the Municipality as they are alleging that they have rendered a security service and have not been paid. They are suing for R2, 300, 064.00. The Municipality is defending the case.

7. **Sharon Pipeline Specialists**
Sharon pipeline is litigating against the municipality as they are alleging that they provided services and have not been paid. Sharon is suing the municipality for an amount of R 2,488,975.22. The municipality is defending the case. The case is still pending

8. **Nevondo Azwihangwisi Andries**
Mr Nevodno Azwihangwisi is claiming that the Municipality is owing him an amount of R2,000,000.00 for pension. The Municipality is defending the matter.

9. **Tinyiko Mangayi Obo Manganyi Andile**
Tinyiko has instituted a claim against the municipality alleging that there were bodily injuries sustained due negligence by the municipality. She is suing the municipality for an amount of R1 000,000.00.

10. **Munzhelele Mashudu Maryrose**
Mashudu is litigating against the municipality as she alleges that she has lost her house due to fire as a result of negligence by municipality fire officials and their late response on cases as such. She is claiming an amount of R1 900 000.00 as the value of the burnt house, R450 000.00 as the value of the burnt properties, R25 500.00 as rent lost, R4500 as rent from march 2016 to date of final payment. The municipality is defending the case.

11. **Mundalamo Madala (Mandiwana Tshifhiwa)**
Tshifiwa has instituted a claim against the Municipality as he alleges tha there was an accident between his car and the Municipality's car which was being driven by Mundalamo A at the time of the accident. He claims an amount of R33 318.08 being damages suffered in repair of the car. The Municipality is defending the case.

12. **Tshwane Trading**
Tshwane has instituted a claim against the Municipality as they alleged that they have suffered damages as a result of the Municipality failing to comply with the training agreement that was concluded. The claim amount is R595 650.00

13. **Konani Trading**
Konani has instituted a claim against the municipality as they alleged that they have suffered damages as a result of the municipality failing to comply with the training agreement that was concluded. The claim amount is R 783 864.00. The case is

34. Contingencies (continued)
still in house.

14. **K. T. Nsikazi**
Nsikazi is litigating against the municipality as they alleged that they had leased the municipality IT hardware materials which upon expiry of the contract were never returned to them. They are claiming an amount of R3 708 956.36 being the value of items in the possession of the municipality. The municipality is defending the case

15. **Minister of Water and Sanitation**
The Department fo Water and Sanitation has instituted legal proceedings against Vhembe District Municipality for outstanding water services. They are claiming an amount of R307, 083,112.67

16. **Stan South Financial and Investment Services. CC.**
Stan South Financial and Investment Services are claiming for work performed. They are claiming an amount of R 11,644,558.18. The Municipality is defending the case

17. **Hermans Truck Accident Repairs(Pty)Ltd|**
Hermans Truck Accident Repairs (PTY) LTD has instituted a claim against Vhembe District Municipality for not paying them an amount of R142,843.41. This amount is for towing and storage

18. **Thiambi Winnie Phuluwa**
Thiambi Winnie Phuluwa sued the Municipality for an amount of R 200,000.00 including her legal costs, claiming that a motor vehicle belonging to the Municipality was the sole cause of that accident. The case is pending.

19. **Risimati Christopher Mabasa**
Risimati Christopher Mabasa has instituted a claim against the Municipality of R35 107,58 in that his vehicle was involved in an accident which he claims was caused by a vehicle belonging to the Municipality. The Municipality is defending the matter.

20. **BMK Electronics**
BMK are suing the Municipality for an amount of R3,899,782.35 for work done. The Municipality is defending the case.

21. **Babusekile Business Enterprises**
Babusekile Business Enterprises is litigating against the Municipality as they are alleging that the Municipality is owing them R2,312,958.06 for services rendered. The Municipality is defending the matter.

22. **Rhym Construction Enterprises**
Rhym Construction Enterprises is litigating against the Municipality as they are alleging that the Municipality is owing them R2,033,2909.60 for Retention. The Municipality is defending the matter.

23. **Mr Nemanashi**
Mr Nemanashi has been ordered by the municipality to remove the erected building which is causing sewer blockage at stand no.3294 in Makwarela location as it is outside the building line and it is affecting the operations of the public service infrastructure. The case is still pending.

24. **Advocate Nemugumoni**
Mr Nemugumoni is alleging that during his course of employment he was underpaid and that amounts to unfair labour practice, therefore he wishes to be compensated in a fair rate. The case is still in house

25. **Limpopo Legal Solutions**
Limpopo legal solutions are litigating against the municipality as they are alleging that in Malamulele area there is no adequate sanitation. They wanted municipality to provide sanitation immediately. The municipality was defending the case. The case is still pending

26. **Limpopo Legal Solutions**
Limpopo legal solutions are litigating against the municipality and they require access to information on Xigalo Fire Station. The municipality is defending the case. The case is still pending.

27. **Phalandwa Edzisani/Nyambeni Frans**
Nyambeni Frans has instituted a claim against the Municipality as he alleges that a water tanker belonging to the Municipality collided with his car. No letter of demand has been sent as yet.

34. Contingencies (continued)

28. **Afriforum**
Afriforum has taken the Municipality to court for lack of services. The municipality is defending the case. Technical Services has been alerted of this case and they have in turn written a report in that regard.

29. **Sebata Sebatana**
Sebata Sebatana are litigating against the Municipality in that they want to interdict the Municipality to pay into the account of the joint venture. The Municipality is defending the matter.

30. **Mathuba Shonisani Esther**
Mathuba Shonisani Esther is claiming pension benefits from the Municipality in that she claims that her husband was working for the Municipality and she should therefore benefit. The municipality is defending the matter.

31. **Raduvha Joseph Thinavhuyo (VDM Driver)**
Mr Raduvha Joseph Thinavhuyo was involved in a motor vehicle accident. The vehicle that he was driving does not belong to him but the Municipal Council. The owner of the other car is litigating against Mr Raduvha abd the Municipality

32. **Nkuna Jan Wisani**
The applicant has instituted a notice of motion for an order to rescind a judgment made in 2013. The judgment was about the application for claiming a portion of land in the Malamulele Township which is already proclaimed as such.

33. **Victorious Chartered Accountants**
The VCA has written letters to the Municipality requesting the Municipality that the Vat recovery Bid be halted as the Bid has prescribed.

34. **Maluleke Gift**
The Vhembe District Municipality has received a Notice of Motion from Maluleke Gift that he must be paid Pension and Interest from Municipal Gratuity Fund. The Municipality has so far issued a notice to abide as the notice is not directed to the Municipality but joined as the interested party.

35. Risk management

Financial risk management

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

Liquidity risk

Liquidity risk is the risk that the municipality will encounter in raising funds to cover future commitments. The municipality manages the liquidity risk through an ongoing review of future commitments and credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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.

Figures in Rand	2019	2018

35. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

No credit limits were exceeded during the reporting period, and management does not expect any surplus from non-performance by these counterparties.

36. Unauthorised expenditure

Opening balance	674 194 388	1 053 400 509
Incurred during the year	571 150 588	674 194 388
Condonement	-	(1 053 400 509)
	1 245 344 976	**674 194 388**

During the current year and the prior year the municipality incurred unauthorised expenditures. In terms of Section 32 of the MFMA the council must appoint a committee to investigate these. Council has appointed the Municipal Public Accounts Committe (MPAC) to carry out these investigations. The investigations are still underway.

37. Fruitless and wasteful expenditure

Opening balance as previously reported	1 219 118	54 729 211
Correction of Prior Period Errors	-	(15 751 807)
Add: Fruitless and Wasteful Expenditure - Current	861 450	1 219 118
Less: Amount Written Off (Condoned)	-	(38 977 404)
	2 080 568	**1 219 118**

During the year and the prior year the municipality incurred unauthorised, irregular and fruitless expenditures. In terms of Section 32 of the MFMA the council must appoint a committee to investigate these. Council has appointed the Municipal Public Accounts Committee (MPAC) to carry out the investigations. The investigations are still underway.

38. Irregular expenditure

Opening balance	52 793 393	882 090 784
Correction of Prior Period Error	-	(237 844 818)
Add: Irregular Expenditure - Current Year	30 231 714	52 793 393
Less: Amounts Written of and Condoned (Prior year)	-	(644 245 966)
	83 025 107	**52 793 393**

Incidents/cases reported in the current year include those listed below

Preference Point System incorrectly applied	-	4 216 385
Three written quotations not invited	-	18 509
No valid contracts for services	-	12 564 047
Contracts awarded to suppliers in the service of the state	-	1 419 519
Bid not publicly advertised/competitive bidding not invited	30 231 714	34 574 932
	30 231 714	**52 793 392**

Figures in Rand	2019	2018

38. Irregular expenditure (continued)

Details of irregular expenditure – current year

-

During the current year and the prior year the municipality incurred irregular expenditures. In terms of section 32 of the MFMA, the council must appoint a committee to investigate these. Council has appointed the Municipal Public Accounts Committee (MPAC) to investigate. Investigations are still underway.

39. Additional disclosure in terms of Municipal Finance Management Act

SALGA

Current year subscription / fee	5 522 680	4 942 786
Amount paid - current year	(5 522 680)	(4 942 786)
	-	-

Material losses

Water losses	204 153 887	68 761 977

Water

Water losses are caused by leakage on transmission and distribution mains, leakage on service connections up to the point of customer meter.

Water loss percentages are 39.3% (2018/2019) and 14.8% (2017/2018).

Audit fees

Current year subscription / fee	7 130 225	3 625 685
Amount paid - current year	(7 130 225)	(3 625 685)
	-	-

PAYE and UIF

Opening balance	6 753 483	-
Current year subscription / fee	73 993 271	65 789 238
Amount paid - current year	(67 892 145)	(59 035 755)
Amount paid - previous years	(6 753 483)	-
	6 101 126	**6 753 483**

The balance represents PAYE and UIF deducted from the June 2019 payroll. These amounts were paid during July 2019.

Pension and Medical Aid Deductions

Current year subscription / fee	35 163 283	94 205 155
Amount paid - current year	(35 163 283)	(94 205 155)
	-	-

The balance represents Pension and Medical aid contributions deducted from employees in the June 2019 payroll as well as councillors' contributions to Pension and Medical Aid Funds.These amounts were paid in July 2019.

VAT

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

Councillors' arrear consumer accounts

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

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TF Chauke	51	341	392
Councillor TS Magada	61	1 400	1 461
Councillor PE Mawela	51	341	392
Councillor TS Mbedzi	51	341	392
Councillor RS Ndou	132	881	1 013
Councillor NE Ngobeni	2 023	1 931	3 954
Councillor TN Ndlovu	246	8 997	9 243
Councillor G Tshililo	90	605	695
	2 705	**14 837**	**17 542**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor TS Magada	47	1 058	1 105
Councillor TS Mbedzi	47	3 550	3 597
	94	**4 608**	**4 702**

Deviations from Supply Chain Management Regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and noted by Council.

Incident		
Repairs and Maintenance of Vehicles and Equipment	1 236 449	1 808 059
Advertising and Marketing	245 573	398 189
Staff Training and Development	87 414	257 100
Human Resources Services	12 229	12 537
Annual IDP renewal and dashboard fee	-	358 815
Disaster Management	1 008 900	-
IT Services	10 125	-
Professional Services	104 667	-
Payroll Services	61 303	-
	2 766 660	**2 834 700**

40. Prior-year correction of errors

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

Statement of financial position

40. Prior-year correction of errors (continued)

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	2	23 962 365	(6 606 149)	-	17 356 216
Receivables from exchange transaction	3	101 384 785	(61 074 868)	24 495 514	64 805 431
Receivables from non-exchange transactions	4	198 411 359	28 426 477	-	226 837 836
Vat receivable	5	121 651 587	10 776 898	-	132 428 485
Cash and cash equivalents	6	169 121 635	(17 959 619)	-	151 162 016
Property, plant and equipment	7	5 821 900 989	(1 662 191 129)	-	4 159 709 860
Investment property	8	12 995 616	-	-	12 995 616
Intangible assets	9	12 816 451	(713 372)	-	12 103 079
Payables from exchange transactions	10	(686 456 158)	(19 176 902)	(24 495 514)	(730 128 574)
Taxes and transfers payable (non-exchange)	11	(45 096 952)	-	-	(45 096 952)
Consumer deposits	12	(4 409 170)	-	-	(4 409 170)
Unspent conditional grants and receipts	13	(49 175 388)	-	-	(49 175 388)
Provisions	14	(50 681 308)	-	-	(50 681 308)
Finance lease obligations (Current portion)	15	(1 113 482)	-	-	(1 113 482)
Finance lease obligation (Non-current portion)	15	(1 370 611)	-	-	(1 370 611)
Accumulated surplus		(5 623 941 718)	1 728 518 664	-	(3 895 423 054)
		-	-	-	-

40. Prior-year correction of errors (continued)

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Restated
Sale of water	17	103 436 454	32 980 927	136 417 381
Rendering of services		392 267	-	392 267
Rental of facilities and equipment	18	8 281	-	8 281
Sale of tender documents	19	1 014 002	-	1 014 002
Licences and permits		389 230	-	389 230
Interest earned	20	36 970 060	-	36 970 060
Other income	21	4 759 868	(3 473 141)	1 286 727
Government grants & subsidies	22	1 360 762 798	-	1 360 762 798
Employee related costs	23	(447 052 353)	-	(447 052 353)
Remuneration of councillors	24	(13 918 539)	-	(13 918 539)
Depreciation and amortisation	25	(294 540 081)	114 578 954	(179 961 127)
Impairment loss	26	(291 776 248)	(90 645 836)	(382 422 084)
Finance costs	27	(2 538 623)	(698 095)	(3 236 718)
Bad debts written off		(14 669 189)	1 801 479	(12 867 710)
Bulk purchases		(69 007 467)	(2 011 091)	(71 018 558)
Contracted services	30	(132 549 030)	(21 715 325)	(154 264 355)
General expenditure	31	(123 743 188)	(11 759 213)	(135 502 401)
Actuarial gains/losses		(149 498)	-	(149 498)
Surplus for the year		**117 788 744**	**19 058 659**	**136 847 403**

Errors

Inventory
The decrease in Inventory of R6 606 149 is due to decrease in Water inventory on hand. The decrease is made up as follows:
Decrease by R4 595 057, this decrease is due to correction of Water inventory valuation for 2016-17 financial year, this correction decreases Water inventory opening balance in 2017-18 financial year and decrease Accumulated surplus opening balance in the 2017-18 financial year.

Decrease by R2 011 091, this decrease is due to correction of Water inventory valuation for 2017-18 financial year, this correction decreases Water inventory by R2 011 091 and increases Bulk purchase expense by R2 011 091 which decrease surplus for the year 2017-18 financial year.

40. Prior-year correction of errors (continued)

Receivables from exchange transactions
The decrease in trade and other receivable from exchange transactions is due to correction of error adjustments amounting to R61 074 868 which decreases the trade and other receivables and reclassification of consumer debtors with negative balances in the Musina area to Payments received in advance amounting to R24 495 514 which increase Trade and other receivables. The correction of error totalling to R61 074 868 is made up as follows:

Decrease by R3 794 469, this decrease is due to correction of the incorrect billing adjustment in the Musina area consumer debtor which was incorrectly adjusted in the prior year. The correction of the prior year incorrect adjustment also result to an increase in VAT receivable by R7 701 471 and an increase in Accumulated surplus by R3 907 002.

Increase by R34 069 755, this increase is due to correction of Musina area consumer debtors billing which was not taken into account in the AFS in the prior year. The correction of prior year billing also increase Revenue from Sale of water by R31 144 871 and decrease VAT Receivables by 2 924 884. Increase in revenue from sale of water also increase the surplus for 2017-18 financial year.

Decrease by R27 595 656, this decrease is due to the collection from consumer debtors for water and sewerage billing which was also not accounted for by VDM. The amount was collected by Musina Local Municipality on behalf of VDM, however Musina has not yet paid the amount collected from water consumer debtors to VDM. Therefore this also increase Debtor-Musina by R27 595 656.

Decrease by R63 754 496, this decrease is due to debt impairment which was not accounted for in the 2017-18 financial year. The correction of prior year debt impairment loss result to an increase in debt impairment loss by R55 438 693, increase in VAT Receivables by R8 315 804. The increase in debt impairment loss will decrease the surplus for 2017-18 financial year by R55 438 693 and decrease Net Consumer debtors by R63 754 496.

IIncrease by R1 284 631, this increase is due to billing consumer debtors who were not billed in the previous financial year. This correction of billing also increases the Revenue from sale of water in the 2017-18 financial year by R1 121 948 which increases the surplus for 2017-18 financial year and decrease VAT receivable by R162 683.

Decrease by R1 284 631, this decrease is due to impairment of the billing of the consumer debtors which were not previously billed. This also increase debt impairment loss by R1 121 948 which decrease surplus for 2017-18 financial year and increase VAT Receivable by R162 683.

Receivables from non-exchange transactions
The increase in Trade and other receivables from non-exchange receivables is due to correction of error adjustment amounting to R28 426 477. The correction of error is made up as follows:

Increase by R27 595 656, this increase is due to the collection from Musina area consumer debtors for water and sewerage billing which was also not accounted for by VDM. The amount was collected by Musina Local Municipality on behalf of VDM, however Musina has not yet paid the amount collected from water consumer debtors to VDM. Therefore this increase Debtor-Musina by R27 595 656 and decrease Trade and other receivables from exchange receivables by R27 595 656.

Increase by R830 821, this increase is due to prepaid sale of water and water connections by Musina local Municipality on behalf of VDM, however Musina has not yet paid the amount collected to VDM. Therefore Debtor-Musina increase by R830 821. This also increase Revenue from Sale of water and Water connection by R714 108 and R116 713 respectively

40. Prior-year correction of errors (continued)

Cash and cash equivalents
Increase in Cash and cash equivalents of R17 959 618.98 is due to the following:

Increase by R105 093 879, this increase is due to correction of investment receipt which was incorrectly receipted through the journal instead of being receipted through the cash book in the previous years. The R105 093 879 has however been receipted through the cash book meaning that the investment has now been understated as it has been reduced twice with a cash book receipts and General journal receipt. The general ledger receipt has been reversed. The correction increases short term investments by R105 093 879 which increases cash and cash equivalents. This also increases accumulated surplus by R105 093 87

Decrease by R22 646 668, this decrease is due to payments which were not in the cash book but in the bank statement as at 30 June 2018, these payments have been recorded in the cash book for and decreases the cash and cash on hand as at 30 June 2018 by R22 646 668. This will also result in a difference between cash and cash equivalents as per GL and Cash and cash equivalents per Cash book as the 2017-18 cash book can not be adjusted but the GL could be adjusted for the error.

Decrease by R46 929 265, this decrease is due to interface between the cash book and the salary control was not performed. This will also result in a difference between cash and cash equivalents as per GL and Cash and cash equivalents per Cash book as the 2017-18 cash book can not be adjusted but the GL could be adjusted for the error.

Increase by R561 778, this increase is due to reversal of duplicate cash book transactions in the 2017-18 financial year. This will also result in a difference between cash and cash equivalents as per GL and Cash and cash equivalents per Cash book as the 2017-18 cash book can not be adjusted but the GL could be adjusted for the error.

Decrease by R54 039 342, this decrease is due to impairment of VBS investment which is unlikely to be received back.

Property Plant and Equipment
Decrease in Property Plant and equipment of R1 662 191 129 is due to the following:

Decreased in cost of PPE by R 2 143 868 823, for each of the following classes of PPE
Motor Vehicles: The adjustment, on cost to motor vehicle downwards by R 4,292,939.56, is as a result of motor vehicles which had not been verified for more than 2 years and others which had duplicated barcodes, hence we had to write them off at the earliest possible reporting date which is 30 June 2018. refer to the movables register.

Other PPE: The adjustment of R 194,776.40, downwards on cost is as a result of assets, that were duplicated on the asset registers and others that could not be verified in more than two years , hence we wrote them off at the earliest possible reporting date of 30 June 2018

Furniture and Office Equipment: The adjustment of R 393, 348.40 downwards is a s a result of plastic chairs, which are not assets , which we had to write off from our register and other assets not verified for more than 2 years , hence we wrote them off at the earliest possible date 30 June 2018 The decrease was adjusted against accumulated surplus

Computer Equipment: The adjustment of R 326,870.18 downwards on cost refers to assets , which had duplicated bar codes , and others which had not been verified for more than 2 years hence , these assets were written off from the asset register at the earliest possible reporting date, 30 June 2018. The decrease was adjusted against accumulated surplus

Plant and Machinery: The adjustment of R 240,610.28 downwards , is a combination of assets that had not been verified in more than 2 years and others with duplicated barcodes hence these assets were written off from the asset register at the earliest possible reporting date, 30 June 2018. The decrease was adjusted against accumulated surplus

Infrastructure: The decrease in Infrastructure of R2 138 420 276.37 on Cost is due to a review of the whole population of Infrastructure assets addressing the valuation and unit rates issues as identified in the prior year audit ,COF , 35, 3, highlighted the issue to do with the the application of incorrect units rates , COF 67.1 and 2, highlighted on the issue of infrastructure that could not be identified during the physical inspection process, COF 72.3 , highlighted on the issue of the incorrect calculation of replacement cost which resulted on the valuation of infrastructure assets being incorrect ,COF 4, highlighted the incorrect classification of assets, hence In addressing the above COFs, Vhembe rural district, relooked at the entire infrastructure registers , which resulted on the above decrease on cost which was adjusted against the accumulated surplus

40. Prior-year correction of errors (continued)
Decrease in Accumulated Depreciation of PPE by R452 305 666 for the following classes

Motor Vehicles: The net movement in the accumulated depreciation is as a result , of assets, that have been confirmed to be in existence and have been properly matched and barcoded and of assets , that have been written off because they could not be verified in more than two ways or have been found to be duplicated assets, the net effect is therefore the adjustment passed on the general ledger and reflected on the asset register as an error adjustment on accumulated depreciation for the prior year. The former represent an increase, while the latter represent a decrease , the net effect , is then the adjustment The overall net effect of the movement on motor vehicles, was an increase of the balance by R 1,998,531. This was adjusted against the accumulated surplus.

Other PPE: The net movement in the accumulated depreciation is as a result , of assets, that have been confirmed to be in existence and have been properly matched and barcoded and of assets , that have been written off because they could not be verified in more than two ways or have been found to be duplicated assets, the net effect is therefore the adjustment passed on the general ledger and reflected on the asset register as an error adjustment on accumulated depreciation for the prior year. The former represent an increase, while the latter represent a decrease , the net effect , is then the adjustment The overall net effect of the movement on other ppe, was a decrease of the balance by R 3,465,004. This was adjusted against the accumulated surplus.

Furniture and Office Equipment: The net movement in the accumulated depreciation is as a result , of assets, that have been confirmed to be in existence and have been properly matched and barcoded and of assets , that have been written off because they could not be verified in more than two ways or have been found to be duplicated assets, the net effect is therefore the adjustment passed on the general ledger and reflected on the asset register as an error adjustment on accumulated depreciation for the prior year. The former represent an increase, while the latter represent a decrease , the net effect , is then the adjustment The overall net effect of the movement on furniture and office equipment, was an increase of the balance by R657,985.43. This was adjusted against the accumulated surplus

Computer Equipment: The net movement in the accumulated depreciation is as a result , of assets, that have been confirmed to be in existence and have been properly matched and barcoded and of assets , that have been written off because they could not be verified in more than two ways or have been found to be duplicated assets, the net effect is therefore the adjustment passed on the general ledger and reflected on the asset register as an error adjustment on accumulated depreciation for the prior year. The former represent an increase, while the latter represent a decrease , the net effect , is then the adjustment The overall net effect of the movement on computer equipment, was an increase of the balance by R 93,152.89, as shown by the adjustment above.

Plant and Machinery: The net movement in the accumulated depreciation is as a result , of assets, that have been confirmed to be in existence and have been properly matched and barcoded and of assets , that have been written off because they could not be verified in more than two ways or have been found to be duplicated assets, the net effect is therefore the adjustment passed on the general ledger and reflected on the asset register as an error adjustment on accumulated depreciation for the prior year. The former represent an increase, while the latter represent a decrease , the net effect , is then the adjustment The overall net effect of the movement on plant and machinery, was a decrease by 166,819.

Infrastructure: The movement is as a result of the cost adjustment on the infrastructure register as a result of the revised valuation, resulting in a decrease of of R 451, 172,317, which was adjusted against the accumulated surplus

Accumulated Impairment: Decreased by R 29,372,027.00 as follows within each of the following classes as shown per each class of assets Plant and Machinery , R 180,197, Furniture and Fixtures R 72,732, Transport Assets R 628, 251, Computer Equipment R 4,549, Infrastructure R 28,432,634.00, Other PPE R 53,664. The decrease is a result of reversal of impairment charged for 2017-2018, which was incorrect this was adjusted against the accumulated net surplus.

Figures in Rand	2019	2018

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Related Government Entities	Makhado Local Municipality Musina Local Municipality Mutale Local Municipality Thulamela Local Municipality
Joint ventures	Refer to note
Members of key management	Ndou TS - Acting Municipal Manager Appointed (November 2018 to date) Ndou TS - General Manager: Corporate Services Nthutang O - General Manager:Technical Services Mufamadi T - Acting Chief Financial Officer Appointed (February 2019 to date) Rambado MR - Municipal Manager (Resigned 01 March 2019) Mbulaheni L - Acting Chief Financial Officer (November 2018 - January 2019) Mchavi ND - Chief Financial Officer (Resigned 31 March 2019) Tshivhinda M - General Manager: Planning and Development Mathule N - General Manager: Community Services Mphaphuli TK - Acting General Manager: Corporate Services (June 2019 to date)

Related party balances

Amounts included in Trade receivable (Trade Payable) regarding related parties		
Musina Local Municipality	242 028 550	211 725 609
Makhado Local Municipality	(96 881 800)	(93 839 072)
Musina Local Municipality	(251 001 908)	(220 165 830)

Key management information

Class	**Description**	**Number**
Executive management	Key Personnel	6
Mayor	Executive Mayor	1
Councillors	Non Operational Management	72
Municipal Managers	Acting Municipal Manager	1

Remuneration of management

Notes to the Annual Financial Statements

41. Related parties (continued)

Mayoral committee members

2019

Name	Basic salary	Cellphone Allowance	Subsistence and Travel Allowances	Contributions to UIF, Medical and Pension Funds	Total
Mbedzi TS	486 551	40 800	218 618	4 912	750 881
Chavana PJ	182 273	-	17 325	1 817	201 415
Radamba NC	486 551	40 800	158 051	6 210	691 612
Mathukha NR	257 077	40 800	134 432	857	433 166
Magada MR	124 204	-	6 274	3 480	133 958
	1 536 656	**122 400**	**534 700**	**17 276**	**2 211 032**

2018

Name	Basic salary	Cellphone Allowance	Subsistence and Travel Allowances	Contributions to UIF, Medical and Pension Funds	Total
Lerule RM	464 858	40 800	306 261	4 664	816 583
Ludere R	464 858	40 800	196 401	5 973	708 032
Radamba NC	430 650	40 800	143 550	5 530	620 530
Mawela NG	464 858	40 800	154 953	4 664	665 275
Mbedzi TS	464 858	40 800	231 458	4 664	741 780
	2 290 082	**204 000**	**1 032 623**	**25 495**	**3 552 200**

Councillors/Mayoral committee members

2019

Name	Basic salary	Cellphone Allowance	Subsistence and Travel	Contributions to UIF, Medical and Pension Funds	Sitting Allowance	Total
Mayoral committee members	1 536 656	122 400	534 700	17 276	-	2 211 032
Councillors	6 280 857	807 964	2 638 432	74 943	703 106	10 505 302
Executive Mayor	484 121	37 246	28 332	3 750	-	553 449
Speaker	518 987	40 800	175 488	5 156	-	740 431
Chiefwhip	486 551	40 800	160 356	4 547	-	692 554
	9 307 172	**1 049 210**	**3 537 308**	**105 672**	**703 106**	**14 702 768**

2018

Basic salary	Cellphone Allowance	Subsistence and Travel	Contributions to UIF, Medical and Pension Funds	Sitting Allowance	Total

41. Related parties (continued)

Name						
Mayoral committee members	2 290 082	204 000	1 032 623	25 495	-	3 552 200
Councillors	4 292 435	689 800	2 017 634	52 789	670 046	7 722 704
Executive Mayor	826 414	40 800	-	5 944	-	873 158
Speaker	495 847	40 800	213 629	4 961	-	755 237
Chiefwhip	464 858	40 800	159 399	4 664	-	669 721
	8 369 636	**1 016 200**	**3 423 285**	**93 853**	**670 046**	**13 573 020**

Executive management

*Refer to note "Employee related costs"

42. Budget and Actual viriance explainations

Employee costs was lower than budgeted because certain staff resigned from some positions, some were deceased, resulting in vacant posts, whereas, remuneration of councillors were under budgeted for.

Depreciation, amortisation, and debt impairment were higher than budgeted because the municipality does not have enough cash resources to budget for non- cash items

Bulk water purchases were much higher than what was budgeted for. This is because the Department of water was not invoicing/billing the Municipality, as a result, these costs were unseen.