Ngwathe Local Municipality
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	An organ of state within the local sphere of government exercising executive and legislative authority.
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste Management Services (the collection, disposal and purifying of waste, refuse and sewerage); Electricity Services (electricity is bought in bulk from Eskom and distributed to the consumers by the municipality); Water Services (Water is bought in bulk from DWA and distributed to the consumers by the municipality); and Rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to public and staff).
Executive Mayor	Mochela J
Members of the Mayoral Committee	Mochela J (Exco member)
	Mbele MA (Exco member)
	Mmusi MG (Exco member)
	Mofokeng ML (Exco member)
	Mofokeng MM (Exco member)
	Mopedi NP (Exco member)
	Molaphene PM (Exco member)
	Ndayi PR (Exco member)
	Serathi M (Exco member)
	Serfontein C (Exco member)
	Sotshiva LP (Exco member)
Councillors	DE Beer VE
	Ferendale RS
	Fieland H
	Gobidolo SM
	Kgantse R
	LA Cock PJ
	Mabena JS (Deceased)
	Magashule IM
	Matroos AS
	Mehlo LR
	Miyen MC
	Mofokeng MD
	Motebele R
	Mvulane L
	Nteo S
	Radebe S
	Rapuleng MD
	Schoonwinkel A
	Sehume NA
	Taje M
	Tete CF
	Thene BS
	Toyi MS
	Van Der Merwe PP

General Information

	Tlhobelo NP (Appointed 01/11/2018) Vermaak SM Vrey AP (Appointed 01/10/2018)
Grading of local authority	Local Meduim Capacity Municipality (Grade 3)
Accounting Officer	Kannemeyer BW
Chief Finance Officer (CFO)	Lebusa IS
Registered office	12 Liebenbergs Trek Parys 9585
Business address	12 Liebenbergs Trek Parys 9585
Postal address	PO Box 359 Parys 9585
Bankers	ABSA
Attorneys	A full list of attorneys used during the year is available at the municipal offices.
Enabling legislation	Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996) Municipal Finance Management Act, 2003 (Act No. 56 of 2003) Municipal Property Rates Act, 2004 (Act No. 6 of 2004) Municipal Structures Act , 1998 (Act No. 117 of 1998) Municipal Systems Act, 2000 (Act No. 32 of 2000)
Accounting Officer	Kannemeyer BW

Index

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

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
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
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. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the 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, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on pages 5 to 87, 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
Mr. Kannemeyer BW

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services, infrastructure development and furthering the interest of the local community in the Ngwathe area, Free State Province and 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.

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (23,147,306) and that the municipality's total liabilities exceed its assets by R (23,147,306).

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.

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

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

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

Kannemeyer BW

Statement of Financial Position as at 30 June 2019

	Note(s)	2019 R	2018 Restated* R
Assets			
Current Assets			
Inventories	9	5,636,903	5,349,447
Receivables from exchange transactions	12	87,532,283	83,135,236
Receivables from non-exchange transactions	11	31,594,356	25,715,378
VAT receivable	10	169,915,971	145,066,868
Other receivables	8	182,333	1,616,953
Cash and cash equivalents	7	39,678,198	6,278,965
		334,540,044	**267,162,847**
Non-Current Assets			
Investment property	3	135,235,600	131,374,488
Property, plant and equipment	4	1,298,746,407	1,297,546,881
Intangible assets	5	3,249,314	4,049,406
Other financial assets	6	1,056,728	986,659
		1,438,288,049	**1,433,957,434**
Total Assets		**1,772,828,093**	**1,701,120,281**
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	42,418
Payables from exchange transactions	14	1,441,974,726	1,219,598,005
Consumer deposits	15	5,115,160	5,149,282
Employee benefit obligation	18	3,193,721	3,098,100
Unspent conditional grants and receipts	16	41,309,028	15,956,192
Provisions	17	127,214,691	116,166,213
		1,618,807,326	**1,360,010,210**
Non-Current Liabilities			
Employee benefit obligation	18	33,058,134	29,265,655
Provisions	17	144,109,940	126,389,917
		177,168,074	**155,655,572**
Total Liabilities		**1,795,975,400**	**1,515,665,782**
Net Assets		**(23,147,307)**	**185,454,499**
Accumulated surplus		(23,147,306)	185,454,497

* See Note 43

Statement of Financial Performance

	Note(s)	2019 R	2018 Restated* R
Revenue			
Revenue from exchange transactions			
Service charges	19	313,685,058	267,119,674
Rental of facilities and equipment	20	698,369	756,938
Other income	21	1,442,817	1,694,713
Interest received	22	54,568,388	48,019,800
Total revenue from exchange transactions		**370,394,632**	**317,591,125**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	83,414,440	82,644,214
Transfer revenue			
Government grants and subsidies	25	258,332,664	262,770,551
Fines, penalties and forfeits	24	2,094,297	2,096,951
Donation received	26	-	2,365,000
Total revenue from non-exchange transactions		**343,841,401**	**349,876,716**
Total revenue		**714,236,033**	**667,467,841**
Expenditure			
Employee related costs	27	(219,478,698)	(199,672,369)
Remuneration of councillors	28	(14,912,669)	(14,428,002)
Depreciation and amortisation	29	(64,711,548)	(70,909,034)
Finance costs	30	(37,860,034)	(73,371,160)
Debt Impairment	31	(194,077,525)	(152,809,659)
Bulk purchases	33	(240,635,152)	(208,681,118)
Contracted services	34	(4,037,870)	(4,583,669)
General expenses	35	(93,044,262)	(98,292,684)
Repairs and maintenance	32	(54,903,302)	(48,212,163)
Total expenditure		**(923,661,060)**	**(870,959,858)**
Operating deficit		**(209,425,027)**	**(203,492,017)**
Fair value adjustments	36	3,945,115	4,251,086
Actuarial gains/(losses)	18	(2,903,862)	(1,747,485)
Inventories surplus / (losses)		(218,032)	-
		823,221	**2,503,601**
Deficit for the year		**(208,601,806)**	**(200,988,416)**

* See Note 43

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Opening balance as previously reported	(165,996,783)	(165,996,783)
Adjustments		
Prior year adjustments	552,439,695	552,439,695
Balance at 01 July 2017 as restated*	**386,442,912**	**386,442,912**
Changes in net assets		
Deficit for the year	(188,140,529)	(188,140,529)
Changes in the net assets	(12,847,886)	(12,847,886)
Total changes	(200,988,415)	(200,988,415)
Restated* Balance at 01 July 2018	**185,454,500**	**185,454,500**
Changes in net assets		
Deficit for the year	(208,601,806)	(208,601,806)
Total changes	(208,601,806)	(208,601,806)
Balance at 30 June 2019	**(23,147,306)**	**(23,147,306)**

Note(s)

* See Note 43

Cash Flow Statement

	Note(s)	2019 R	2018 Restated* R
Cash flows from operating activities			
Receipts			
Cash receipt from customers		245,658,959	223,813,829
Grants		283,685,500	278,613,929
Interest income		1,655,377	1,629,275
Other receipts		5,670,103	13,218,369
		536,669,939	517,275,402
Payments			
Employee costs		(213,015,529)	(216,568,368)
Suppliers		(224,783,821)	(216,265,214)
		(437,799,350)	(432,833,582)
Net cash flows from operating activities	38	**98,870,589**	**84,441,820**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(62,202,873)	(77,466,993)
Disposal of financial assets		13,934	234,738
Net cash flows from investing activities		**(62,188,939)**	**(77,232,255)**
Cash flows from financing activities			
Employee benefit obligation payment		(3,240,000)	(3,664,000)
Payments of financial liabilities		-	(734,332)
Finance lease payments		(42,418)	(313,060)
Net cash flows from financing activities		**(3,282,418)**	**(4,711,392)**
Net increase/(decrease) in cash and cash equivalents		**33,399,232**	**2,498,173**
Cash and cash equivalents at the beginning of the year		6,278,965	3,780,791
Cash and cash equivalents at the end of the year	7	**39,678,197**	**6,278,964**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	358,425,000	1,709,000	**360,134,000**	313,685,058	**(46,448,942)**	Note 52.1
Rental of facilities and equipment	3,440,000	8,000	**3,448,000**	698,369	**(2,749,631)**	Note 52.2
Interest received	1,473,000	-	**1,473,000**	-	**(1,473,000)**	Note 52.3
Other income	5,655,000	(1,717,000)	**3,938,000**	1,442,817	**(2,495,183)**	Note 52.4
Interest received	51,138,000	-	**51,138,000**	54,568,388	**3,430,388**	Note 52.3
Total revenue from exchange transactions	**420,131,000**	**-**	**420,131,000**	**370,394,632**	**(49,736,368)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	87,335,000	-	**87,335,000**	83,414,440	**(3,920,560)**	Note 52.5
Fines, penalties and forfeits						
Government grants and subsidies	296,719,000	-	**296,719,000**	258,332,664	**(38,386,336)**	Note 52.6
Fines, penalties and forfeits	1,052,000	-	**1,052,000**	2,094,297	**1,042,297**	Note 52.7
Total revenue from non-exchange transactions	**385,106,000**	**-**	**385,106,000**	**343,841,401**	**(41,264,599)**	
Total revenue	**805,237,000**	**-**	**805,237,000**	**714,236,033**	**(91,000,967)**	
Expenditure						
Employee related costs	(218,950,000)	1,734,000	**(217,216,000)**	(219,478,698)	**(2,262,698)**	Note 52.1
Remuneration of councillors	(15,239,000)	(153,000)	**(15,392,000)**	(14,912,669)	**479,331**	Note 52.1
Depreciation and amortisation	(68,959,000)	-	**(68,959,000)**	(64,711,548)	**4,247,452**	Note 52.1
Finance costs	(210,000)	110,000	**(100,000)**	(37,860,034)	**(37,760,034)**	Note 52.9
Debt impairment	(71,737,000)	-	**(71,737,000)**	(194,077,525)	**(122,340,525)**	Note 52.10
Repairs and maintenance	(27,848,000)	(43,776,000)	**(71,624,000)**	(54,903,302)	**16,720,698**	Note 52.11
Bulk purchases	(247,597,000)	11,000,000	**(236,597,000)**	(240,635,152)	**(4,038,152)**	Note 52.1
Contracted services	(31,628,000)	(744,000)	**(32,372,000)**	(4,037,870)	**28,334,130**	Note 52.12
General expenses	(153,538,000)	50,081,000	**(103,457,000)**	(93,044,262)	**10,412,738**	Note 52.13
Transfer and subsidies	-	(18,252,000)	**(18,252,000)**	-	**18,252,000**	Note 52.14
Total expenditure	**(835,706,000)**	**-**	**(835,706,000)**	**(923,661,060)**	**(87,955,060)**	
Operating deficit	**(30,469,000)**	**-**	**(30,469,000)**	**(209,425,027)**	**(178,956,027)**	
Fair value adjustments	-	-	**-**	3,945,115	**3,945,115**	Note 52.15
Actuarial gains	-	-	**-**	(2,903,862)	**(2,903,862)**	Note 52.16
Inventories surplus	-	-	**-**	(218,032)	**(218,032)**	Note 52.17
	-	**-**	**-**	**823,221**	**823,221**	
Deficit for the year	**(30,469,000)**	**-**	**(30,469,000)**	**(208,601,806)**	**(178,132,806)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(30,469,000)**	**-**	**(30,469,000)**	**(208,601,806)**	**(178,132,806)**	
Reconciliation						

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	679,000	-	**679,000**	5,636,903	**4,957,903**	Note 52.18
Receivables from non-exchange transactions	149,378,000	-	**149,378,000**	31,594,356	**(117,783,644)**	Note 52.19
VAT receivable	-	-	**-**	169,915,971	**169,915,971**	Note 52.20
Other receivables	72,481,000	-	**72,481,000**	182,333	**(72,298,667)**	Note 52.21
Cash and cash equivalents	3,978,000	-	**3,978,000**	39,678,198	**35,700,198**	Note 52.22
	226,516,000	**-**	**226,516,000**	**247,007,761**	**20,491,761**	
Non-Current Assets						
Investment property	116,520,000	-	**116,520,000**	135,235,600	**18,715,600**	Note 52.23
Property, plant and equipment	833,381,000	-	**833,381,000**	1,298,746,407	**465,365,407**	Note 52.24
Intangible assets	5,047,000	-	**5,047,000**	3,249,314	**(1,797,686)**	Note 52.25
Other financial assets	959,000	-	**959,000**	1,056,728	**97,728**	Note 52.1
	955,907,000	**-**	**955,907,000**	**1,438,288,049**	**482,381,049**	
Total Assets	**1,182,423,000**	**-**	**1,182,423,000**	**1,685,295,810**	**502,872,810**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	1,081,764,000	-	**1,081,764,000**	1,441,974,726	**360,210,726**	Note 52.26
Consumer deposits	5,523,000	-	**5,523,000**	5,115,160	**(407,840)**	Note 52.1
Employee benefit obligation	-	-	**-**	3,193,721	**3,193,721**	Note 52.27
Unspent conditional grants and receipts	-	-	**-**	41,309,028	**41,309,028**	Note 52.28
Provisions	114,440,000	-	**114,440,000**	127,214,691	**12,774,691**	Note 52.29
	1,201,727,000	**-**	**1,201,727,000**	**1,618,807,326**	**417,080,326**	
Non-Current Liabilities						
Loans from economic entities	773,000	30,000,000	**30,773,000**	-	**(30,773,000)**	Note 52.30
Employee benefit obligation	-	-	**-**	33,058,134	**33,058,134**	Note 52.27
Provisions	164,846,000	-	**164,846,000**	144,109,940	**(20,736,060)**	Note 52.29
	165,619,000	**30,000,000**	**195,619,000**	**177,168,074**	**(18,450,926)**	
Total Liabilities	**1,367,346,000**	**30,000,000**	**1,397,346,000**	**1,795,975,400**	**398,629,400**	
Net Assets	**(184,923,000)**	**(30,000,000)**	**(214,923,000)**	**(110,679,590)**	**104,243,410**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	(184,923,000)	(30,000,000)	**(214,923,000)**	(110,679,590)	**104,243,410**	-

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Sale of goods and services	281,926,000	-	**281,926,000**	245,658,959	**(36,267,041)**	Note 52.31
Grants	296,719,000	-	**296,719,000**	283,685,500	**(13,033,500)**	Note 52.32
Interest income	6,142,000	-	**6,142,000**	1,655,377	**(4,486,623)**	Note 52.33
Other receipts	32,440,000	-	**32,440,000**	5,670,103	**(26,769,897)**	Note 52.34
	617,227,000	**-**	**617,227,000**	**536,669,939**	**(80,557,061)**	
Payments						
Employee costs	-	-	**-**	(213,015,529)	**(213,015,529)**	Note 52.35
Suppliers and employee costs	(582,811,000)	-	**(582,811,000)**	(224,783,823)	**358,027,177**	Note 52.36
Finance costs	(631,000)	500,000	**(131,000)**	-	**131,000**	Note 52.37
	(583,442,000)	**500,000**	**(582,942,000)**	**(437,799,352)**	**145,142,648**	
Net cash flows from operating activities	**33,785,000**	**500,000**	**34,285,000**	**98,870,587**	**64,585,587**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(102,164,000)	(30,000,000)	**(132,164,000)**	(62,202,873)	**69,961,127**	Note 52.38
Disposal of other financial assets	-	-	**-**	13,934	**13,934**	Note 52.35
Net cash flows from investing activities	**(102,164,000)**	**(30,000,000)**	**(132,164,000)**	**(62,188,939)**	**69,975,061**	
Cash flows from financing activities						
Finance lease receipts	-	-	**-**	(42,418)	**(42,418)**	Note 52.35
Employee benefit obligations	-	-	**-**	(3,240,000)	**(3,240,000)**	Note 52.35
Other financial liabilities	-	30,000,000	**30,000,000**	-	**(30,000,000)**	Note 52.39
Net cash flows from financing activities	**-**	**30,000,000**	**30,000,000**	**(3,282,418)**	**(33,282,418)**	
Net increase/(decrease) in cash and cash equivalents	(68,379,000)	500,000	**(67,879,000)**	33,399,230	**101,278,230**	
Cash and cash equivalents at the beginning of the year	4,182,000	-	**4,182,000**	6,278,965	**2,096,965**	Note 52.40
Cash and cash equivalents at the end of the year	**(64,197,000)**	**500,000**	**(63,697,000)**	**39,678,195**	**103,375,195**	
Reconciliation						

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) (MFMA).

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

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

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

These accounting policies are consistent with the previous period.

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 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:

Trade receivables / held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete inventory

An allowance for stock to write stock down to the lower of cost or net realisable value. Management has 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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

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. It is reasonably possible that the key assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Value in use of cash generating assets

The municipality reviews and tests the carrying value of cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of 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 exchange rates, inflation and interest rates.

Value in use of non-cash generating assets

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

Provisions

Provisions were raised and management determined an estimate based on the information available. An additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Useful lives of property, plant and equipment and other assets

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

Post retirement benefits and other long-term benefits

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

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

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 18.

Effective interest rate

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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 receivables carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

Investment property is recognised as an asset when, it is probable that the future economic benefits or services 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 recognised at cost. Transaction costs are included in the initial measurement. Subsequent to initial measurement.

investment property is measured at cost.

Where investment property is acquired through a non-exchange transaction, it's cost is it's 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.

Fair value

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

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

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

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

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

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

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

The nature OR type of properties classified as held for strategic purposes are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see note 32).

Accounting Policies

1.5 Property, plant and equipment

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

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

Where an asset is acquired through a non-exchange transaction, it's cost is it's 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 part 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Airport	Straight line	15 to 20 years
Buildings	Straight line	50 years
Furniture and fixtures	Straight line	5 to 10 years
Infrastructure	Straight line	3 to 100 years
IT equipment	Straight line	3 to 6 years
Land		Fair value model
Motor vehicles	Straight line	3 to 20 years
Office equipment	Straight line	3 to 6 years
Plant and machinery	Straight line	5 to 15 years

1.5 Property, plant and equipment (continued)

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

Assets of the 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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 32).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4).

1.6 Site restoration and dismantling cost

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

The related asset is measured using the cost model:

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

1.7 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

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

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

Accounting Policies

1.7 Intangible assets (continued)

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

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 to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years
Servitudes		Indefinite

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from it's use or disposal.

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

1.8 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.

Identification

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

Value in use

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

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.

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

Cash-generating units

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

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

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

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.

Accounting Policies

1.8 Impairment of cash-generating assets (continued)

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 municipality does not reduce the carrying amount of an asset below the highest of:

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

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

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

Reversal of impairment loss

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

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

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

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.

1.9 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.

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

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.

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.

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

[Specify judgements made]

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.

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

Reversal of an impairment loss

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

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

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

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.

Accounting Policies

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

Redesignation

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

1.10 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 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 liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: 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.

Accounting Policies

1.10 Financial instruments (continued)

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 of 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.

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
Other financial assets	Financial asset measured at fair value
Other receivables	Financial asset measured at amortised cost
Receivables from non-cash transactions	Financial asset measured at amortised cost
Receivables from exchange 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
Consumer deposits	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Unspent conditional grants and receipts	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.

1.10 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

Financial assets measured at amortised cost:

1.10 Financial instruments (continued)

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in the 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 mat costeasured :

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.

Accounting Policies

1.10 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 :
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

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

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 recognises 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 recognises 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 recognises 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.

1.10 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).

Presentation

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

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

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

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

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

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

1.11 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

1.11 Statutory receivables (continued)

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, these charges are accounted for in terms of the municipality's accounting policy on Revenue from exchange transactions or Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- significant financial difficulty of the receivable, which may be evidenced by an application for debt counselling, business rescue or an equivalent;
- it is probable that the receivable will enter sequestration, liquidation or other financial re-organisation;
- a breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied); and
- adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

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

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

Accounting Policies

1.12 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

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

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

1.13 Value Added Tax (VAT)

The municipality accounts for VAT on cash basis. The municipality is liable to account for VAT at a standard rate
15% effective from 1 April 2018 in terms of section 7(1)(a) of the VAT Act in respect of supply of goods and services, except where the supplies are specifically zero rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality account for VAT on a monthly basis..

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 services 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.

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:

- 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 cell phones) for current employees.

When an employee has rendered service to the municipality during a reporting period, the municipality 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 recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

The municipality recognises the expected cost of bonus, incentive and performance related payments when the 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 municipality has no realistic alternative but to make the payments.

Accounting Policies

1.14 Employee benefits (continued)

The entity recognises 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.

Other long-term employee benefits

The municipality has an obligation to provide long service benefits to all of its employees. According to the rules of the long service benefit scheme, which the municipality instituted and operates, an employee (who is on the current conditions of service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long benefits are accounted for through the statement of financial performance.

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.

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

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

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

Provisions are not recognised for future operating surplus (deficit).

A contingent liability is:

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

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

Decommissioning, restoration and similar liability

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

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.16 Accumulated surplus

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

1.17 Revenue from exchange transactions

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

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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

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

Measurement

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

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 services performed to date as a percentage of total services to be performed.

Interest and dividends

Revenue arising from the use by others of municipal assets yielding interest 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.

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.

1.18 Revenue from non-exchange transactions

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

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

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

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

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

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

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the 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.

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

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

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

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

Recognition

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

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

Measurement

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

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

1.18 Revenue from non-exchange transactions (continued)

Property rates

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Taxation revenue is determined at a gross amount. It is not reduced for expenses paid through the tax system.

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 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.

1.21 Leases (continued)

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

Operating leases - lessee

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

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 41&43.

1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.24 Unauthorised expenditure

Unauthorised expenditure means:

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

1.24 Unauthorised expenditure (continued)

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

1.25 Fruitless and wasteful expenditure

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

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

1.26 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:
“irregular expenditure”, in relation to a municipality or municipal entity, means (a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or
(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality’s by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law,

but excludes expenditure by a municipality which falls within the definition of “unauthorised expenditure”.

In this context ‘expenditure’ refers to any use of municipal funds that is in contravention of the following legislation:
(i) Municipal Finance Management Act, Act 56 of 2003, and its regulations;
(ii) Municipal Systems Act, Act 32 of 2000, and its regulations;
(iii) Public Office-Bearers Act, Act 20 of 1998, and its regulations; and
(iv) The municipality’s supply chain management policy, and any by-laws giving effect to that policy.

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.

Accounting Policies

1.26 Irregular expenditure (continued)

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

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.27 Budget information

Municipality is 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.

General purpose financial reporting by a 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 01/07/2018 to 30/06/2019.

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.

1.28 Related parties

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

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

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.

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

1.29 Events after reporting date

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

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

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

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

Accounting Policies

1.30 Consumer deposits

Consumer deposits are subsequently recorded in accordance with accounting policy of trade and other payables.

1.31 Unspent conditional grant and receipts

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

Notes to the Annual Financial Statements

	2019	2018
	R	R

Notes to the Annual Financial Statements

	2019	2018
	R	R

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

GRAP 34: Separate Financial Statements

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 35: Consolidated Financial Statements

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

To meet this objective, the Standard:

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 36: Investments in Associates and Joint Ventures

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

The impact of this standard is currently being assessed.

GRAP 37: Joint Arrangements

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

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

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

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

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

The impact of this standard is currently being assessed.

GRAP 38: Disclosure of Interests in Other Entities

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

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

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

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

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

The impact of this standard is currently being assessed.

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

The impact of this guideline is currently being assessed.

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

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

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

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

The municipality expects to adopt the amendment for the first time in the 2020 annual financial statements.

The impact of this amendment is currently being assessed.

GRAP 18 (as amended 2016): Segment Reporting

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

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

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

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

The adoption of this amendment is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related parties

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

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

The standard elaborates on the definitions and identification of:

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

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

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

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

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

GRAP 105: Transfers of functions between entities under common control

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

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

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

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

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

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

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

The most significant changes to the Standard are:

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

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

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

The impact of this amendment is currently being assessed.

GRAP 107: Mergers

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

GRAP 108: Statutory Receivables

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

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

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

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

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

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

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

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

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

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The impact of this interpretation is currently being assessed.

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

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

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

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

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

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

The impact of this interpretation is currently being assessed.

IGRAP 19: Liabilities to Pay Levies

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

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

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

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

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

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

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

The impact of this interpretation is currently being assessed.

3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	135,235,600	-	135,235,600	131,374,488	-	131,374,488

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	131,374,488	3,861,112	135,235,600

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	127,433,253	3,941,235	131,374,488

Pledged as security

No investment property is pledged as security:

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.

	2019 R	2018 R

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Pradeep Ramlall, of AB Projects. AB Projects are not connected to the municipality and have the relevant experience in location and category of the investment property being valued.

The valuation was based on open market value for existing use.

During the current year the Municipality has elected to change its accounting policy in accordance with Directive 11 (March 2014). This Directive allows an entity, that has initially adopted the fair value model for investment property or the revaluation model for property, plant and equipment, intangible assets or heritage assets, to change its accounting policy on a once-off basis to the cost model when the entity elects to change its accounting policy following the initial adoption of these Standards of GRAP. The once-off change will be allowed when the entity made an inappropriate accounting policy choice on the initial adoption of the Standards of GRAP.

Amounts recognised in surplus or deficit

Rental revenue from Investment property	3,167	676,556

4. 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	274,416,071	552,585	274,968,656	274,416,071	(3,541,524)	270,874,547
Buildings	61,917,284	(23,396,835)	38,520,449	61,917,284	(21,055,097)	40,862,187
Plant and machinery	3,866,758	(2,399,912)	1,466,846	3,745,766	(2,137,362)	1,608,404
Furniture and fixtures	9,920,919	(7,872,773)	2,048,146	9,907,006	(7,872,773)	2,034,233
Motor vehicles	18,067,918	(13,502,026)	4,565,892	19,685,634	(13,337,127)	6,348,507
Office equipment	1,165,243	(1,791,993)	(626,750)	1,058,743	(806,539)	252,204
IT equipment	5,115,883	(3,880,602)	1,235,281	4,922,619	(3,421,360)	1,501,259
Infrastructure	1,729,448,005	(752,880,118)	976,567,887	1,671,179,685	(697,114,145)	974,065,540
Total	**2,103,918,081**	**(805,171,674)**	**1,298,746,407**	**2,046,832,808**	**(749,285,927)**	**1,297,546,881**

	2019 R	2018 R

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers	Depreciation	Total
Land	270,874,547	4,094,109	-	-	274,968,656
Buildings	40,862,187	2,062,284	-	(4,404,022)	38,520,449
Plant and machinery	1,608,404	120,992	-	(262,550)	1,466,846
Buildings	2,034,233	13,913	-	-	2,048,146
Motor vehicles	6,348,507	251,600	-	(2,034,215)	4,565,892
Office equipment	252,204	106,500	-	(985,454)	(626,750)
IT equipment	1,501,259	193,264	-	(459,242)	1,235,281
Infrastructure	974,065,540	59,454,320	(1,186,000)	(55,765,973)	976,567,887
	1,297,546,881	**66,296,982**	**(1,186,000)**	**(63,911,456)**	**1,298,746,407**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Revaluations	Depreciation	Impairment loss	Total
Land	270,874,547	-	-	-	-	270,874,547
Buildings	47,328,493	-	-	(4,404,022)	(2,062,284)	40,862,187
Plant and machinery	1,701,203	88,566	77,406	(258,771)	-	1,608,404
Buildings	2,488,708	200,921	188,367	(843,763)	-	2,034,233
Motor vehicles	5,834,837	16,045	2,366,941	(1,869,316)	-	6,348,507
Office equipment	318,383	7,895	40,102	(114,176)	-	252,204
IT equipment	1,425,460	283,393	314,675	(522,269)	-	1,501,259
Infrastructure	957,542,347	79,235,173	-	(62,096,624)	(615,356)	974,065,540
	1,287,513,978	**79,831,993**	**2,987,491**	**(70,108,941)**	**(2,677,640)**	**1,297,546,881**

Pledged as security

None of Property, Plant and Equipment were pledged as security.

Assets subject to finance lease (net carrying amount)

	2019	2018
Motor vehicles	190,387	380,834

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure - Bulidings	Included within Community	Included within Other PPE	Total
Opening balance	13,837,737	25,902,215	98,085,236	137,825,188
Additions/capital expenditure	5,898,656	2,560,454	47,967,113	56,426,223
Transferred to completed items	-	(2,640,454)	(92,471,178)	(95,111,632)
	19,736,393	**25,822,215**	**53,581,171**	**99,139,779**

Notes to the Annual Financial Statements

	2019 R	2018 R

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Building	Electricity	Roads water and sanitation	Total
Opening balance	7,232,732	34,781,187	54,954,684	96,968,603
Additions/capital expenditure	8,609,145	6,997,001	57,665,454	73,271,600
Transferred to completed items	(2,004,140)	(15,875,973)	(14,534,902)	(32,415,015)
	13,837,737	**25,902,215**	**98,085,236**	**137,825,188**

Expenditure incurred to repair and maintain property, plant and equipment

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

	2019	2018
Land and buildings	-	618,439
Infrastructure assets	-	30,745,468
Vehicles	-	2,379,714
	-	**33,743,621**

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.

5. 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	4,000,460	(2,072,346)	1,928,114	4,000,460	(1,272,254)	2,728,206
Other intangible assets	1,321,200	-	1,321,200	1,321,200	-	1,321,200
Total	**5,321,660**	**(2,072,346)**	**3,249,314**	**5,321,660**	**(1,272,254)**	**4,049,406**

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	2,728,206	(800,092)	1,928,114
Other intangible assets	1,321,200	-	1,321,200
	4,049,406	**(800,092)**	**3,249,314**

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	3,528,298	(800,092)	2,728,206
Servitudes	1,321,200	-	1,321,200
	4,849,498	**(800,092)**	**4,049,406**

	2019 R	2018 R

5. Intangible assets (continued)

Pledged as security

No intangible assets were pledged as security.

Details of valuation

The effective date of the revaluations was . Revaluations were performed by an independent valuer, Mr Arthur Lelosa of Manna Holdings. Manna Holdings are not connected to the municipality and have recent experience in location and category of the intangible assets being valued.

The valuation was based on open market value for existing use.

These assumptions are based on current market conditions.

The carrying value of the revalued assets could not be determined due to a lack of supporting documentation prior to 1July 2007.

6. Other financial assets

	2019 R	2018 R
Designated at fair value		
Sanlam shares 6682 shares @ 78.16 Trading at (2017:70.77)	522,265	473,897
At amortised cost		
Heilbron Sanlam policy Terms and conditions	480,854	445,219
FNB deposit - 71037431386 Investment serves as guarantee for Saambou Bank and bears interest at 15%	53,609	49,800
FNB Parys - 710381146801 Investment serves as guarantee for BJ Monyamara and bears interest at 5%, this investment account was closed in the current financial year.	-	17,743
	534,463	**512,762**
Total other financial assets	**1,056,728**	**986,659**
Non-current assets		
Designated at fair value	522,265	473,897
At amortised cost	534,463	512,762
	1,056,728	**986,659**

Notes to the Annual Financial Statements

	2019 R	2018 R

6. Other financial assets (continued)

Financial assets at fair value

Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

	2019 R	2018 R
Level 1		
Class 2	522,265	473,897
Level 2		
Class 2	538,404	512,762
	1,060,669	**986,659**

Renegotiated terms

None of the financial assets that are fully performing have been renegotiated in the last year.

Financial assets at amortised cost

Fair values of financial assets measured or disclosed at fair value

7. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019 R	2018 R
Cash on hand	149,652	94,241
Bank balances	1,265,750	4,178,790
Short-term deposits	38,262,796	2,005,934
	39,678,198	**6,278,965**

	2019 R	2018 R

7. Cash and cash equivalents (continued)

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
ABSA Bank - Cheque account - 405-2707-733	1,260,330	4,181,999	1,544,549	1,265,750	4,178,790	1,544,549
ABSA Bank - Call account 925-3832-988	69,028	604,254	34,291	69,028	604,254	34,291
ABSA Bank - Call account - 925-3833-502	37,861,479	785,560	2,077,854	37,861,479	785,560	2,077,854
ABSA Bank - Call account - 9250-3833-764	6,578	486,186	12,800	6,578	486,186	12,800
ABSA Bank - Call account - 925-3835-643	1,088	1,037	8,182	1,088	1,037	8,182
ABSA Bank - Cheque account - 113-000-0041	-	-	45,451	-	-	45,451
ABSA Bank - Call account - 928-6271-086	87,199	108,325	22,162	87,199	108,325	22,162
ABSA Bank - Call account - 928-6271-167	237,424	15,432	14,681	237,424	15,432	14,681
Total	**39,523,126**	**6,182,793**	**3,759,970**	**39,528,546**	**6,179,584**	**3,759,970**

8. Other receivables

Sundry receivables	182,333	1,616,953

Notes to the Annual Financial Statements

	2019 R	2018 R

9. Inventories

Water	138,541	160,277
Stores and material	5,498,362	5,189,170
	5,636,903	**5,349,447**

Inventory pledged as security

No Inventory was pledged as security for overdraft facilities.

10. VAT receivable

VAT	169,915,971	145,066,868

The municipality is registered for VAT on the payment basis.

11. Receivables from non-exchange transactions

Property rates	161,054,177	132,457,874
Allowance for impairment - rates	(129,459,821)	(106,742,496)
	31,594,356	**25,715,378**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security for overdraft facilities.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Fair value of receivables from non-exchange transactions

The carrying vale of the consumer receivables recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 12,297,299 (2018: R 9,652,303) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	429,831	305,789
2 months past due	2,901,272	3,144,177
3 months past due	8,966,196	6,202,338
		9,652,304

Rates aging		
Current (0 -30 days)	6,918,926	5,965,300
31 - 60 days	4,635,391	4,207,288
61 - 90 days	4,189,386	3,880,779
91 - 120 days	3,964,851	3,494,737
121 - 365 days	32,331,118	32,145,588
> 365 days	109,014,505	78,324,622
Less: Allowance for informent	(129,459,821)	(106,742,496)
	31,594,356	**21,275,818**

	2019 R	2018 R

11. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of R 138,000,188 (2018: R 117,245,010) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

12. Receivable from exchange transactions disclosure

	2019	2018
Gross balances		
Consumer debtors - Electricity	126,192,428	129,097,548
Consumer debtors - Waste	83,007,353	93,913,437
Consumer debtors - Waste water	147,249,606	135,988,838
Consumer debtors - Sundry receivables	7,289,216	7,790,080
Consumer debtors - Water	206,787,586	182,001,087
	570,526,189	**548,790,990**

	2019	2018
Less: Allowance for impairment		
Consumer debtors - Electricity	(84,066,233)	(78,966,574)
Consumer debtors - Waste	(75,427,026)	(85,605,273)
Consumer debtors - Waste water	(138,394,186)	(125,509,520)
Consumer debtors - Sundry receivables	(7,105,921)	(7,653,121)
Consumer debtors - Water	(178,000,540)	(167,921,266)
	(482,993,906)	**(465,655,754)**

	2019	2018
Net balance		
Consumer debtors - Electricity	42,126,195	50,130,974
Consumer debtors - Waste	7,580,327	8,308,164
Consumer debtors - Waste water	8,855,420	10,479,318
Consumer debtors - Sundry receivables	183,295	136,959
Consumer debtors - Water	28,787,046	14,079,821
	87,532,283	**83,135,236**

	2019	2018
Electricity		
Current (0 -30 days)	12,479,433	22,161,735
31 - 60 days	5,087,859	6,365,055
61 - 90 days	4,054,968	5,133,410
91 - 120 days	3,344,039	3,050,560
121 - 365 days	39,050,999	26,147,014
> 365 days	62,175,130	66,239,774
Less: Impairment	(84,066,233)	(78,966,574)
	42,126,195	**50,130,974**

Notes to the Annual Financial Statements

12. Receivable from exchange transactions disclosure (continued)

	2019 R	2018 R
Waste		
Current (0 -30 days)	3,372,272	3,053,433
31 - 60 days	3,007,216	2,705,516
61 - 90 days	2,755,117	2,596,000
91 - 120 days	2,717,308	2,515,120
121 - 365 days	20,412,424	21,349,826
> 365 days	50,743,016	61,693,542
Less: Impairment	(75,427,026)	(85,605,273)
	7,580,327	**8,308,164**
Waste water		
Current (0 -30 days)	4,073,580	3,703,896
31 - 60 days	3,473,425	3,098,842
61 - 90 days	3,185,743	3,004,570
91 - 120 days	3,124,172	2,861,821
121 - 365 days	23,734,347	31,880,883
> 365 days	109,658,339	91,438,826
Less: Impairment	(138,394,186)	(125,509,520)
	8,855,420	**10,479,318**
Sundry		
Current (0 -30 days)	89,977	119,304
31 - 60 days	144,331	72,203
61 - 90 days	75,212	72,147
91 - 120 days	71,896	84,984
121 - 365 days	582,634	1,099,723
> 365 days	6,325,166	6,341,719
Less: Impairment	(7,105,921)	(7,653,121)
	183,295	**136,959**
Water		
Current (0 -30 days)	28,202,184	10,878,037
31 - 60 days	10,531,790	5,450,723
61 - 90 days	6,511,052	5,291,583
91 - 120 days	6,420,501	5,221,795
121 - 365 days	59,359,378	39,963,673
> 365 days	95,762,681	115,195,277
Less: Impairment	(178,000,540)	(167,921,266)
	28,787,046	**14,079,822**

Notes to the Annual Financial Statements

	2019 R	2018 R

12. Receivable from exchange transactions disclosure (continued)

Summary of receivables by customer classification (exchange and non-exchange transactions

	2019 R	2018 R
Consumers		
Current (0 -30 days)	18,235,414	16,979,426
31 - 60 days	16,893,237	12,924,376
61 - 90 days	14,108,106	13,595,688
91 + days	435,155,333	415,837,106
	484,392,090	459,336,596
Less: Allowance for impairment	(468,284,103)	(435,479,466)
	16,107,987	**23,857,130**

	2019 R	2018 R
Business, Industrial and commercial		
Current (0 -30 days)	8,680,452	15,372,670
31 - 60 days	3,864,139	5,766,538
61 - 90 days	3,504,142	3,639,957
91 + days	78,699,758	89,949,032
	94,748,491	114,728,197
Less: Allowance for impairment	(79,378,334)	(89,394,591)
	15,370,157	**25,333,606**

	2019 R	2018 R
Farms and agriculture		
Current (0 -30 days)	1,603,768	1,294,615
31 - 60 days	1,421,720	1,241,584
61 - 90 days	1,396,989	1,201,763
91 + days	55,733,924	44,781,855
	60,156,401	48,519,817
Less: Allowance for impairment	(58,945,791)	(47,268,990)
	1,210,610	**1,250,827**

	2019 R	2018 R
Indigents		
Current (0 -30 days)	2,173,639	203,458
31 - 60 days	2,546,581	453
61 - 90 days	44,955	447
91 + days	1,080,322	50,844
	5,845,497	255,202
Less: Allowance for impairment	(5,845,497)	(255,202)
	-	**-**

	2019 R	2018 R
National and Provincial Government		
Current (0 -30 days)	2,062,746	3,118,368
31 - 60 days	2,154,334	1,966,677
61 - 90 days	1,717,286	1,540,634
91 + days	48,704,070	38,430,646
	54,638,436	**45,056,325**

Receivables from exchange transactions pledged as security

No consumer receivable was pledged as security for any financial liability.

Credit quality of receivables from exchange transactions

Notes to the Annual Financial Statements

	2019 R	2018 R

12. Receivable from exchange transactions disclosure (continued)

The credit quality of receivables from exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Renegotiated terms:

None of the receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Fair value of receivables from exchange transactions:

The carrying value of the receivables from exchange transactions recorded at amortised cost approximate their fair values.

Receivables from non-exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 48,704,070 (2018: R28,778,342) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows

1 month past due	1,528,962	1,186,918
2 month past due	12,965,540	8,754,861
3 month past due	34,209,568	18,836,563

Receivables from exchange transactions past due but not impaired

As of 30 June 2019, receivables from exchange transactions of R 493,507,397 (2018: R 514,507,969) were impaired and provided for.

The following factors were considered in determining the impairment:
- Aging of the outstanding debt.
- Whether or not any payment was received during the year.
- Whether the account is active or inactive.
- Whether the account is that of an owner or a tenant.

13. Finance lease obligation

Present value of minimum lease payments due		
- within one year	-	42,417

It is municipality policy to lease certain motor vehicles under finance leases.

The average lease term was 5 years (2017: 5 years) and the average effective borrowing rate is 10% (2018: -%).

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

Notes to the Annual Financial Statements

	2019 R	2018 R

14. Payables from exchange transactions

Trade payables	131,985,750	113,467,620
Payments received in advanced	36,027,627	35,992,761
Accrued leave pay	17,864,158	15,243,162
Accrued bonus	4,752,314	4,239,373
Deposits received	195,632	195,632
Other payables	1,670,206	3,388,906
Eskom	1,060,482,923	931,905,488
Department of Water Affairs	108,592,158	93,429,678
Salary suspense account	21,618,936	4,596,857
Unallocated receipts	5,182	5,182
Retention	17,197,724	17,133,346
Guarantee	41,582,116	-
	1,441,974,726	**1,219,598,005**

15. Consumer deposits

Rates, Electricity and water	5,115,160	5,149,282

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Department of Mineral and Energy Grant (INEG)	15,162	-
Finance Management Grant (FMG)	-	67,946
Provincial Treasury Subsidy (EPG)	-	75,887
Provincial Treasury Subsidy (MSP)	5,000,000	-
Co operative Governance and Traditional Affairs (COGTA)	28,590	28,590
Water Services Infrastructure Grant (WSIG)	7,471,507	10,308,147
Regional Infrastructure Grant (RBIG)	28,793,769	2,398,322
Provincial Treasury subsidy (waste water)	-	3,077,300
	41,309,028	**15,956,192**

Movement during the year

Balance at the beginning of the year	15,956,192	112,814
Additions during the year	283,685,498	279,613,929
Income recognition during the year	(258,332,662)	(263,770,551)
	41,309,028	**15,956,192**

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.

Notes to the Annual Financial Statements

	2019	2018
	R	R

17. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Movement during the year	Change in discount factor	Total
Environmental rehabilitation	242,556,130	24,674,392	4,094,109	271,324,631

Reconciliation of provisions - 2018

	Opening Balance	Movement during the year	Change in discount factor	Total
Environmental rehabilitation	209,647,877	36,449,777	(3,541,524)	242,556,130

Non-current liabilities	144,109,940	126,389,917
Current liabilities	127,214,691	116,166,213
	271,324,631	**242,556,130**

Environmental rehabilitation provision

The purpose of this provision is to determine the closure costs for the waste disposal sites in the Ngwathe Municipal area. The sites under consideration are the Edenville, Heilbron, Koppies, Parys and Vredefort disposal sites.

South African solid waste legislation has been going through a thorough metamorphosis during the past few years and continues to do so, affecting all aspects of solid waste management through this process. Almost all aspects of the waste life cycle have been addressed and, more to the point of this report, the issue of landfill designs. New base liner designs for different landfill classes have been detailed, however, no new landfill capping designs for rehabilitation have been detailed since the Minimum Requirements (2nd Edition, 1998) issued by the Department of Water Affairs and Forestry (DWAF) at the time. There were however recent suggestions by the Department of Water and Sanitation (DWS) in a Record of Decision issued to D:EA for the licence applications for the closure of 192 landfill facilities under the National Outcome 10 Project.

However, the Minimum Requirements was used in the past as guideline for the design of the capping layers as well as the capacity of the storm water drainage system and to subsequently calculate rehabilitation cost estimates, which was industry standard. The closure and rehabilitation of a landfill involves firstly the application for a closure licence during which a Basic Assessment and specialist studies are conducted specific to the landfill in question. From this application, it becomes clear as to the specific requirements to properly rehabilitate the landfill and render it environmentally suitable to its proposed end use. If a landfill was issued with an operating permit/licence, a closure design would have been proposed before the issuing of the permit, only now requiring modification (if necessary) rather than a new design.

However, with most landfills being unlicensed/unpermitted, no designs have been done or approved. Historically, a rehabilitation engineering design which included the proposed capping layers was then presented to DWA (now DWS) for approval. After obtaining approval, the landfill was rehabilitated according to the approved design. No closure licences which stipulate capping designs have been issued to date for the Ngwathe Municipality. The closure cost estimates of this provision have therefore been based on the proposed requirements for capping layers by DWS which are similar to stipulated requirements in recently issued closure licences in other Municipalities.

Disposal site 2019	Opening balance	changes in the net discount rate	Movement	Closing balance
Edenville	17,906,200	-	1,741,378	19,647,578
Heilbron	64,650,000	-	6,287,212	70,937,212
Koppies	25,927,322	694,748	2,665,583	29,287,653
Parys	102,452,609	3,399,362	10,903,092	116,755,063
Vredefort	31,619,999	-	3,077,126	34,697,125
	242,556,130	**4,094,110**	**24,674,391**	**271,324,631**

	2019 R	2018 R

17. Provisions (continued)

Disposal site 2018	Opening balance	Changes in the net discount rate	Movement	Closing balance
Edenville	15,640,793	-	2,265,407	17,906,200
Heilbron	60,770,528	-	3,879,472	64,650,000
Koppies	19,514,094	(615,593)	7,028,821	25,927,322
Parys	85,330,619	(2,925,931)	20,047,921	102,452,609
Vredefort	28,391,844	-	3,228,155	31,619,999
	209,647,878	**(3,541,524)**	**36,449,776**	**242,556,130**

18. Employee benefit obligations

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

	2019 R	2018 R
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(22,423,722)	(19,663,755)
Present value of the defined benefit obligation-partly or wholly funded	(13,828,133)	(12,700,000)
	(36,251,855)	**(32,363,755)**
Non-current liabilities	(33,058,134)	(29,265,655)
Current liabilities	(3,193,721)	(3,098,100)
	(36,251,855)	**(32,363,755)**

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

	2019 R	2018 R
Opening balance	32,363,755	30,108,508
Net expense recognised in the statement of financial performance	3,888,100	2,255,247
	36,251,855	**32,363,755**

Net expense recognised in the statement of financial performance

	2019 R	2018 R
Current service cost	1,237,000	1,236,000
Interest cost	2,987,238	2,935,762
Actuarial (gains) losses	2,903,862	1,747,485
Expected benefits paid	(3,240,000)	(3,664,000)
	3,888,100	**2,255,247**

Calculation of actuarial gains and losses

	2019 R	2018 R
Actuarial (gains) losses – Long service	347,133	(390,000)
Actuarial (gains) losses – Medical aid	2,556,729	2,137,485
	2,903,862	**1,747,485**

	2019	2018
	R	R

18. Employee benefit obligations (continued)

Post-retirement medical aid plant

The municipality has a post-employment medical aid fund for its pensioners. The post-retirement medical aid are in accordance with Resolutions 8 of the South African Local Government Bargaining Council (SALGBC), signed on 17 January 2003, which state that an employee who retires from employment with an employer and who immediately prior to his or her retirement, enjoys the benefits of subsidy of his or her medical aid contributions by his or her employer, will continue to receive a subsidy calculated as follows.

- If the employee is 55 years or older on 1 July 2003, his or her subsidy from the employer as at the date of retirement will be 60% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the date immediately prior to the date of his or her retirement.
- If the employee is 50 years or older on 1 July 2003, his or her subsidy will be 50% to a maximum amount of the norms of the cost of his or her medical aid scheme contributions as at the day immediately prior to the date of his or her retirement

The municipality makes monthly contributions for the healthcare arrangements to the following medical aid schemes::

- Bonitas
- Hosmed
- Discovery
- Key Health
- LA Health
- Samwumed.

Long Service benefits.

The municipality's liability for long service benefits relating to vested leave benefits to which employees may become entitled upon completion of five years of service and every five years thereafter. These leave benefits are in accordance with paragraph 11 of South African Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGA which was signed on July 2010.

In accordance with South African Local Government Bargaining Council (SALGBC) issued circular 1 of 2011 (issued 27 June 2011 with an effective date of 1 March 2011), specific bonuses are payable to employees for long service. Bonus are payable in the following scale:

Years of service completed	Percentage of annual salary as a bonus	Additional Leave days
> 5 Years	2%	5 days
> 10 Years	3%	10 days
> 15 Years	4%	15 days
> 20 Years	5%	15 days
> 24 - 45 Years	6%	15 days

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
CPI (Medical aid)	6.48 %	5.73 %
CPI (Long services)	4.87 %	6.40 %
Discount rate (Medical aid)	10.68 %	9.18 %
Discount rate (Long services)	8.10 %	8.80 %
Medical aid inflation (Medical aid)	8.48 %	7.23 %
Salary increase rate (Long service award)	5.87 %	7.40 %
Net discount rate (Medical aid)	2.03 %	1.82 %
Net discount rate (Long service award)	2.11 %	1.30 %
Continuation percentage	100.00 %	100.00 %

Notes to the Annual Financial Statements

	2019 R	2018 R

18. Employee benefit obligations (continued)

Other assumptions

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

	One percentage point increase	**One percentage point decrease**
Employer's accrued liability (Long service awards)	14,703,606	13,029,679
Current service cost (Long service awards)	1,223,783	1,075,178
Interest cost (Long service awards)	1,132,989	997,401
Employer's accrued liability (Medical aid)	24,303,047	20,751,480
Interest cost (Medical aid)	2,494,241	2,115,807

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

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	36,251,855	32,363,755	55,365,000	54,325,000	56,456,000

Defined contribution plan

The municipality makes provision for post-retirement benefits to all employees and councillors, who belong to different retirement contribution plans which are administered by various pension funds, provident and annuity funds.

These plans are subject to the Pension Fund Act, 1995 (Act No. 24 of 1956) and include defined contribution plans

The municipality is under no obligation to cover any unfunded benefits. The only obligation of the municipality is to make the specific contributions.

The following are the multi-employer funds and are defined contribution plans:
- South African Local Authorities Pension Fund (SALA)
- Free State Municipal Pension Fund (FSMPF)
- Municipal Councillors Pension Fund (MCPF)

Sufficient information was not available to use defined benefit accounting for the fund and it was accounted for as defined contribution plan due to the following reasons:
- The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers;
- One set of financial statements is compiled for all the funds are not for each participating employer; and
- The same rate of contribution applies to all participating employers and no regard is paid to differences in membership distribution of the participating employers.

This is in line with the exemption in GRAP 25 paragraph 31 which state that where information is required for proper defined benefit accounting is not available in respect of the multi-employer and state plan; these should be accounted for as defined contribution plans.

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

The amount recognised as an expense for defined contribution plans is	3,888,100	2,255,247

Notes to the Annual Financial Statements

	2019 R	2018 R

19. Service charges

Sale of electricity	156,620,064	135,060,669
Sale of water	88,250,159	67,100,399
Sewerage and sanitation charges	36,341,698	34,457,545
Refuse removal	32,473,137	30,501,061
	313,685,058	**267,119,674**

20. Rental of facilities and equipment

Premises		
Buildings and housing	372,265	58,066
Camps	4,710	4,710
Premises	3,167	676,556
Venue hire	22,731	17,606
	402,873	**756,938**

21. Other income

Administration fees	-	4,709
Building plans and inspections	91,368	158,596
Clearance certificates	73,306	87,965
Grave plots	525,869	631,751
Reconnection / connection fees	272,069	316,065
Sale of land	115,937	13,991
Sundry income	19,916	30,893
Tender deposits	344,352	450,743
	1,442,817	**1,694,713**

22. Interest received

Interest revenue		
Other financial asset	1,655,377	1,629,275
Interest charged on trade and other receivables	52,913,011	46,390,525
	54,568,388	**48,019,800**

	2019 R	2018 R

23. Property rates

Rates received

	2019 R	2018 R
Property rates	83,414,440	82,644,214

Included in property rates are income forgone. Income forgone can be defined as any income that the municipality is entitled to by law to levy, but which has subsequently been forgone by way of rebate or remission.

Valuations

	2019 R	2018 R
Agriculture	3,463,315,597	3,446,248,352
Business	492,020,136	502,821,936
Churches	81,352,940	1,620,000
Government	332,811,581	330,472,081
Industrial	37,542,500	38,392,500
Municipal	36,678,460	141,531,772
Other	99,000	80,000
Public Service Infrastructure	21,890,000	6,981,520
Residents	4,362,841,202	4,221,090,409
Schools	39,153,850	39,153,850
	8,867,705,266	**8,728,392,420**

The new general valuation will be implemented on 01 July 2019.

Valuations on land and buildings are performed every five years. The last general valuation roll came into effect on 1 July 2014, and is based on market-related values. Supplementary valuations are processed when completed by the valuer annually, to take into account changes to individual property values due to alterations and subdivisions.
The first R 75,000 of the valuation of residential property is exempted from property rates.

24. Fines, penalties and forfeits

	2019 R	2018 R
Fines - tampered meters	2,092,747	2,077,201
Fines - traffic	1,550	19,750
	2,094,297	**2,096,951**

	2019 R	2018 R

25. Government grants and subsidies

Operating grants

Equitable share	174,303,027	160,606,000
Local Government Finance Management Grant (FMG)	2,282,947	2,077,064
Local Government Sector Education and Training Authority Grant (LGSETA)	184,498	-
Provincial Treasury subsidy (waste water)	20,577,300	16,022,700
Co operative Governance and Traditional Affairs (COGTA)	-	1,692,339
	197,347,772	**180,398,103**

Capital grants

Expanded Public Works Programme (EPWP)	-	1,000,628
Department of Mineral and Energy Grant (INEG)	2,984,838	5,000,000
Municipal Infrastructure Grant (MIG)	41,164,000	45,078,289
Reginal Bulk Infrastructure Grant (RBIG)	4,231,674	12,601,678
Water Service Infrastructure Grant (WSIG)	12,528,493	18,691,853
Provincial Treasury Subsidy (MSP)	75,887	-
	60,984,892	**82,372,448**
	258,332,664	**262,770,551**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	83,896,023	102,164,551
Unconditional grants received	174,487,525	160,606,000
	258,383,548	**262,770,551**

Equitable Share

Current year receipts	174,340,000	160,606,000
Conditions met - transfer to revenue	(174,340,000)	(160,606,000)
	-	**-**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Municipal infrastructure Grant (MIG)

Balance unspent at beginning of year	-	288
Current-year receipts	41,164,000	45,078,000
Conditions met - transferred to revenue	(41,164,000)	(45,078,288)
	-	**-**

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.

Department of Mineral and Energy Grant (INEG)

Current-year receipts	3,000,000	5,000,000
Conditions met - transferred to revenue	(2,984,838)	(5,000,000)
	15,162	**-**

Notes to the Annual Financial Statements

	2019 R	2018 R

25. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 16).

The grant is used to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure.

Water Service Infrastructure Grant (WSIG)

Balance unspent at beginning of year	10,308,147	-
Current-year receipts	20,000,000	29,000,000
Conditions met - transferred to revenue	(12,579,368)	(18,691,853)
Grant withheld	(10,282,705)	-
	7,446,074	**10,308,147**

Conditions still to be met - remain liabilities (see note 16).

This grant aims to accelerate the delivery of clean water and sanitation facilities to communities that do not have access to basic water services.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	2,398,322	-
Current-year receipts	33,000,000	15,000,000
Conditions met - transferred to revenue	(4,231,673)	(12,601,678)
Grant withheld	(2,398,322)	-
	28,768,327	**2,398,322**

Conditions still to be met - remain liabilities (see note 16).

The purpose of the overall regional bulk programme is to develop an oversight function that will ensure the construction of enabling infrastructure and of operations and maintenance of regional bulk infrastructure in the water sector.

Local Government Finance Management Grant (FMG)

Balance unspent at beginning of year	67,947	11
Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	(2,282,947)	(2,077,064)
	-	**67,947**

The grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Programme (EPWP)

Balance unspent at beginning of year	-	628
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,628)
	-	**-**

Notes to the Annual Financial Statements

	2019 R	2018 R

25. Government grants and subsidies (continued)

The grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the Expanded Public Works Programme Guidelines: road maintenance and the maintenance of buildings, low traffic volume roads and rural roads, basic services infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure), other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land-based livelihoods, social services programme, health service programme and community safety programme.

Local Government Sector Education and Training Authority(LGSETA)

	2019 R	2018 R
Current-year receipts	184,498	-
Conditions met - transferred to revenue	(184,498)	-
	-	**-**

LGSETA grant is used for the skills development of the municipal employees as per the skills work plan.

Cooperative Governance and Traditional Affiars(COGTA)

	2019 R	2018 R
Balance unspent at beginning of year	28,590	-
Current-year receipts	-	1,720,929
Conditions met - transferred to revenue	-	(1,692,339)
	28,590	**28,590**

Conditions still to be met - remain liabilities (see note 16).

Cogta grant relate to a subsidy for the payment of accounting consulting fees.

Provincial Treasury subsidy (water and audit fees)

	2019 R	2018 R
Current-year receipts	-	1,000,000
Conditions met - transferred to revenue	-	(1,000,000)
	-	**-**

Provincial Treasury paid on behalf of Ngwathe for the installation of water meters (capital) and also for a part of their audit fees owing to the Auditor General.

Provincial Treasury subsidy (electricity)

	2019 R	2018 R
Balance unspent at beginning of year	75,887	75,887
Conditions met - transferred to revenue	(75,887)	-
	-	**75,887**

This grant relates to a subsidy for the purchase and installation of electricity meters.

Provincial Treasury subsidy (sewerage)

	2019 R	2018 R
Balance unspent at beginning of year	3,077,300	-
Current-year receipts	17,500,000	19,100,000
Conditions met - transferred to revenue	(20,577,300)	(16,022,700)
	-	**3,077,300**

This grant relate to a municipal support grant for the payment of maintenance cost relating to the sewerage plant.

Notes to the Annual Financial Statements

	2019 R	2018 R

25. Government grants and subsidies (continued)

Provincial Treasury Grant (MSP)

Current-year receipts	5,000,000	-

Conditions still to be met - remain liabilities (see note 16).

The grant is used to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act and related legislation.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 10 of 2010), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

26. In-kind donations and assistance

Provincial Treasury (Audit Fees)	-	1,000,000
Municipal Improvement System Grant (MSIG)	-	1,365,000
	-	**2,365,000**

Notes to the Annual Financial Statements

	2019 R	2018 R

27. Employee related costs

	2019 R	2018 R
Basic	120,575,366	107,435,095
Bonus	10,085,122	9,997,139
Car allowance	6,466,972	5,474,068
Medical aid - company contributions	11,334,150	10,254,329
Unemployment insurance fund (UIF)	1,227,479	1,321,000
Other payroll levies	1,909,099	1,751,044
Overtime payments	26,743,268	21,412,863
Other allowances	15,865,493	20,527,408
Leave pay provision charge	3,966,748	3,882,531
Group life insurance	1,610,773	1,461,027
Contributions paid - employee benefits	(1,715,000)	(1,666,000)
Pension fund contributions	20,515,179	18,182,536
Housing benefits and allowances	427,890	401,329
Long-service awards	466,159	(762,000)
	219,478,698	**199,672,369**

Remuneration of Municipal Manager (Kannemeyer BW)

	2019 R	2018 R
Annual Remuneration	999,519	922,072
Car Allowance	482,195	483,514
Contributions to UIF, Medical and Pension Funds	15,689	14,873
	1,497,403	**1,420,459**

Remuneration of Chief Finance Officer (Lebusa IS)

	2019 R	2018 R
Annual Remuneration	970,600	378,398
Car Allowance	240,000	100,000
Contributions to UIF, Medical and Pension Funds	13,454	5,358
	1,224,054	**483,756**

Remuneration of Chief Finance Officer (Samyala N)

	2019 R	2018 R
Annual Remuneration	-	260,233
Car Allowance	-	74,122
Contributions to UIF, Medical and Pension Funds	-	6,576
	-	**340,931**

Chief Financial Officer (Samyala N), has left the services of the municipality on 31 October 2017(Contract ended).

Remuneration of Director Community Services (Nphapo PP)

	2019 R	2018 R
Annual Remuneration	800,679	-
Car Allowance	453,339	-
Contributions to UIF, Medical and Pension Funds	13,460	-
	1,267,478	**-**

Director Community Services (Nhlapo PP), joint the services of the municipality on 01 January 2018.

Remuneration Director Community Services (Netshivhodza AB)

	2019 R	2018 R
Annual Remuneration	-	212,745
Car Allowance	-	107,235

	2019 R	2018 R

27. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	-	21,201
	-	**341,181**

Director Community Services(Netshivhodza AB), has left the services of the municipality on 31 October 2017(Contract ended).

Remuneration of Director Corporate Services (Mokgobu MF)

Annual Remuneration	611,400	-
Car Allowance	332,941	-
Contributions to UIF, Medical and Pension Funds	20,100	-
	964,441	**-**

Director Corperate Services (Mokgobu MF), joint the services of the municipality on 01 October 2018.

Remuneration of Acting Director Corporate Services (Majivolo ZJ)

Annual Remuneration	841,321	777,471
Car Allowance	133,858	116,374
Contributions to UIF, Medical and Pension Funds	186,373	153,285
	1,161,552	**1,047,130**

Mr Majivolo has been acting as Director Corporate Services from November 2016 to June 201**8 Still Need accurate dates .**

Remuneration of Director Corporate Services (Tsekedi PS)

Annual Remuneration	-	184,631
Car Allowance	-	99,001
Contributions to UIF, Medical and Pension Funds	-	60,411
	-	**344,043**

Director Corporate Services(Tsekedi PS), has left the services of the municipality on 31 October 2017(Contract ended).

Remuneration of Director of Technical Services (Thobela NB)

Annual Remuneration	755,198	717,713
Car Allowance	455,832	451,598
Contributions to UIF, Medical and Pension Funds	13,025	12,575
	1,224,055	**1,181,886**

Notes to the Annual Financial Statements

28. Remuneration of councillors

	2019 R	2018 R
Executive Major	859,444	842,613
Councillors	7,908,649	7,647,924
Mayoral Committee Members	5,457,001	5,260,135
Speaker	687,575	677,330
	14,912,669	**14,428,002**

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office, laptop, cell phone and secretarial support at the cost of the Council.

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

The Mayor has one full-time bodyguard.

Salaries, allowances and benefits of political office bearers and councillors of the municipality are within the upper limits of the framework as envisaged by section 219 of the constitution.

28. Remuneration of councillors (continued)

Councillors 30 June 2019	Annual remuneration and backpay	Allowances	Company contributions	Total
De Beer VE	204,540	111,851	-	316,391
De Jager SHF	49,855	26,627	-	76,482
Ferendale RS	209,882	106,508	-	316,390
Fieland H	209,882	106,508	-	316,390
Gobidolo SM	209,882	106,508	-	316,390
Kgantse R	209,882	106,508	-	316,390
LA Cock	209,882	106,508	-	316,390
Mabena JS	20,395	10,892	-	31,287
Magashule IM	209,882	106,508	-	316,390
Matroos AH	209,882	106,508	-	316,390
Mbele MA	491,029	197,974	-	689,003
Mehlo LR	209,882	106,508	-	316,390
Miyen MC	209,882	106,509	-	316,391
Mmusi MG	491,029	197,974	-	689,003
Mochela MJ	605,790	208,219	45,434	859,443
Mofokeng ML	209,882	106,509	-	316,391
Mofokeng MM	491,029	197,974	-	689,003
Mofokeng MD	491,029	197,974	-	689,003
Molaphane PM	212,582	105,009	-	317,591
Mopedi NP	554,282	133,294	-	687,576
Mvulane L	200,465	115,925	-	316,390
Ndayi PR	491,029	197,974	-	689,003
Nteo S	209,882	106,508	-	316,390
Radebe S	209,882	106,508	-	316,390
Rapuleng MD	211,222	106,508	-	317,730
Schoonwinkel A	206,294	92,662	15,472	314,428
Sehume NA	209,882	106,508	-	316,390
Serathi M	491,029	197,974	-	689,003
Serfontein C	209,882	106,508	-	316,390
Sotshiva LP	491,029	197,974	-	689,003
Taje M	209,882	106,508	-	316,390
Tete CF	209,882	105,008	-	314,890
Thene BS	209,882	106,508	-	316,390
Toyi MS	276,674	109,865	-	386,539
Tlhobedi NP	137,208	62,130	-	199,338
Van Der Merwe PP	209,882	106,508	-	316,390
Vermaak SM	206,294	92,662	15,472	314,428
Vrey AP	179,822	78,681	-	258,503
	10,280,502	**4,555,789**	**76,378**	**14,912,669**

Notes to the Annual Financial Statements

	2019 R	2018 R

28. Remuneration of councillors (continued)

Councillors 30 June 2018	Annual remuneration and backpay	Allowances	Company contributions	Total
DE Beer VE	204,153	101,776	-	305,929
DE Jager SHF (Resigned 31/05/2018)	205,420	100,509	-	305,929
Ferendale RS	205,420	100,509	-	305,929
Fieland H	205,420	100,509	-	305,929
Gobidolo SM	205,420	100,509	-	305,929
Kgantse R	205,420	100,509	-	305,929
LA Cock	205,420	100,509	-	305,929
Mabena JS	205,420	100,509	-	305,929
Magashule IM	205,420	100,509	-	305,929
Matroos AH	205,420	100,509	-	305,929
Mbele MA	478,237	185,974	-	664,211
Mehlo LR	205,420	100,509	-	305,929
Miyen MC	205,420	100,509	-	305,929
Mmusi MG	478,237	185,974	-	664,211
Mochela MJ	603,106	209,128	30,380	842,614
Mofokeng ML	478,237	185,974	-	664,211
Mofokeng MM	478,237	185,974	-	664,211
Mofokeng MD	205,420	100,509	-	305,929
Mopedi NP	538,542	138,787	-	677,329
Motebele R	155,565	73,881	-	229,446
Mvulane L	196,004	109,925	-	305,929
Nteo S	205,420	100,509	-	305,929
Molaphene PM	205,420	99,309	-	304,729
Ndayi PR	478,237	185,974	-	664,211
Radebe S	205,420	100,509	-	305,929
Rapuleng MD	205,420	100,509	-	305,929
Schoonwinkel A	204,388	86,662	14,879	305,929
Sehume NA	205,420	100,509	-	305,929
Serathi M	478,237	185,974	-	664,211
Serfontein C	205,420	100,509	-	305,929
Sotshiva LP	478,237	185,974	-	664,211
Taje M	205,420	100,509	-	305,929
Tete CF	49,855	26,327	-	76,182
Thene BS	205,420	100,509	-	305,929
Toyi MS	205,420	100,509	-	305,929
Van Der Merwe PP	205,420	100,509	-	305,929
Vermaak SM	204,388	86,662	14,879	305,929
	10,022,900	**4,344,964**	**60,138**	**14,428,002**

29. Depreciation and amortisation

	2019 R	2018 R
Property, plant and equipment	63,911,456	70,108,942
Intangible assets	800,092	800,092
	64,711,548	**70,909,034**

30. Finance costs

	2019 R	2018 R
Trade and other payables	21,304,121	45,243,727
Provision (Landfill site)	13,568,675	25,191,671
Employee benefits	2,987,238	2,935,762
	37,860,034	**73,371,160**

Notes to the Annual Financial Statements

	2019 R	2018 R

31. Debt impairment

Contributions to debt impairment provision	194,077,525	152,809,659

Reconciliation of allowance for impairment		
Balance at the begining of the year	(572,398,249)	(504,826,837)
Bad debts	154,022,048	85,238,247
Contribution to provision	(194,077,525)	(152,809,659)
	(612,453,726)	**(572,398,249)**

32. Repairs and maintenance

Repairs and maintenance	54,903,302	48,212,163

33. Bulk purchases

Electricity	205,162,004	177,060,110
Water	35,473,148	31,621,008
	240,635,152	**208,681,118**

34. Contracted services

Security services	1,429,132	955,608
Other contractors	2,608,738	3,628,061
	4,037,870	**4,583,669**

Notes to the Annual Financial Statements

	2019 R	2018 R

35. General expenses

Accommodation cost	866,020	279,897
Advertising	3,081,853	1,060,121
Auditors remuneration	5,139,812	5,062,994
Bank charges	1,478,471	1,396,342
Cleaning	716,902	-
Commission paid	6,134,411	4,069,074
Chemicals	3,541,979	11,363,115
Entertainment	222,475	1,492,486
Hire	14,508,915	3,789,695
Insurance	3,424,008	5,094,273
Legal fees	-	2,281,093
Project management unit expenditure	-	2,193,631
Fuel and oil	3,311,347	1,804,018
Postage and courier	2,169,048	1,812,058
Printing and stationery	1,883,717	1,985,798
Protective clothing	869,902	1,773,661
Financial systems (BCX)	2,923,481	5,159,871
Repairs and maintenance	(2,116,400)	3,948,517
Subscriptions and membership fees	2,389,661	2,379,857
Telephone and fax	7,306,464	6,424,331
Transport and freight	1,650,116	141,621
Training	2,011,002	241,659
Travel - local	2,565,886	190,692
EPWP expenditure	-	998,849
Chemicals	8,946,910	6,177,126
Youth development	210,191	250,916
Licenses	1,771,971	2,982
Rehabilitation cost - landfill site	11,105,716	9,373,035
Employee wellness	6,930,404	17,544,972
	93,044,262	**98,292,684**

36. Fair value adjustments

Investment property	3,945,115	4,251,086

37. Auditors' remuneration

Fees	5,139,812	5,062,994

Notes to the Annual Financial Statements

38. Cash generated from operations

	2019 R	2018 R
Deficit	(208,601,806)	(200,988,416)
Adjustments for:		
Depreciation and amortisation	64,711,548	70,909,034
Gain on sale of assets and liabilities	218,032	-
Fair value adjustments	(3,945,115)	(4,251,086)
Finance costs - Trade and other payables	21,304,121	45,243,727
Interest income	(52,913,011)	(46,390,525)
Debt impairment	194,077,525	152,809,659
Impairment loss	-	2,677,640
Movements in retirement benefits and employee provisions	1,237,000	1,236,000
Movements in provisions	24,674,391	32,908,252
Actuarial gains / losses	2,903,862	1,747,485
Employee benefit obligations - Finance cost	2,987,237	2,935,762
Property plant and equipment transfer	1,186,000	-
Donations received	-	(2,365,000)
Changes in working capital:		
Inventories	(505,488)	(106,326)
Receivables from exchange transactions	(126,278,933)	(112,125,764)
Receivables from non-exchange transactions	(25,161,605)	(13,824,295)
Other receivables	1,434,620	8,661,554
Payables from exchange transactions	201,072,600	162,506,973
VAT	(24,849,103)	(32,885,818)
Unspent conditional grants and receipts	25,352,836	15,843,378
Consumer deposits	(34,122)	(100,414)
	98,870,589	**84,441,820**

39. Commitments

Authorised capital expenditure

	2019 R	2018 R
Already contracted for but not provided for		
• Property, plant and equipment	38,344,819	113,189,881
Total capital commitments		
Already contracted for but not provided for	38,344,819	113,189,881

Total commitments

	2019 R	2018 R
Total commitments		
Authorised capital expenditure	38,344,819	113,189,881

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, existing cashresources, MIG allocations during the year and funds internally generated.

40. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total

		2019 R	2018 R

40. Financial instruments disclosure (continued)

Other receivables	-	182,333	182,333
Receivables from non-exchange transactions	-	31,594,356	31,594,356
Receivables from exchange transactions	-	87,532,283	87,532,283
Other financial assets	522,265	534,463	1,056,728
Cash and cash equivalents	-	39,678,198	39,678,198
	522,265	**159,521,633**	**160,043,898**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	1,441,974,726	1,441,974,726
Unspent conditional grants and receipts	41,309,028	41,309,028
Consumer deposits	5,115,160	5,115,160
	1,488,398,914	**1,488,398,914**

2018

Financial assets

	At fair value	At amortised cost	Total
Receivables from non-exchange transactions	-	25,715,378	25,715,378
Receivables from exchange transactions	-	83,135,236	83,135,236
Other financial assets	473,897	512,762	986,659
Cash and cash equivalents	-	6,278,965	6,278,965
	473,897	**115,642,341**	**116,116,238**

Financial liabilities

	At amortised cost	Total
Finance lease obligation	42,418	42,418
Trade and other payables from exchange transactions	1,219,598,005	1,219,598,005
Unspent conditional grants and receipts	15,956,192	15,956,192
Consumer deposits	5,149,282	5,149,282
	1,240,745,897	**1,240,745,897**

41. Comparative figures

Comparatives figures were restated due to prior period errors and reclassifications as and when the need arise.

For a detailed list on errors refer to prior period error note.

42. Related parties

Relationships	
Members of key management	Refer to note 27
Members of the council	Refer to note 28

43. Prior-year adjustments

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

1) Unspent grants were restated due to incorrect amounts recognised and disclosed in the 2017/2018 financial year.

2) Services charges and property rate were restated due to prior year adjustments that could not be supported during the audit process.

3) Debt impairment were restated due to methodolody and imparment process that was not acceptable during the audit process,

4) Interest received were restated due to errors that were identified on DWA payable account,Employee benefit obligation and other small payables from exchange transactions

5) Other income was restated due to incorrect votes incorrect votes allocated to revenue.

6) Property plant and equipment, depreciation and impairment were restated due errors that were identified during the prior year audit process.

7) Investment property was resated due to errors that occured in the prior years,

8) Receivables from exchange and non exchange were restated due to unsupported journals and supporting documentation that could not be found.

9) VAT was restated due to errors that were identified in payables and receivables in the 2017/2018 financial year.

10) Employee benefits obligation were restated due misinterpretation of Resolution 2 of the SALGA Human Resources Policy Decisions (Post-Retirement Medical Aid Subsidies) in the prior year (2018:COAF151)

11) Provision for landfill site waere restated due to inconsistant and incorrect disclosure, inaccuarate and incorrect figures were used to calculate the rehabilitation and unwinding cost in the 2018/2019 Financial year.

Inventories were restated due to the understatement of water and electrical stores.

Intangible assets were restated due to non disclosure of servitutes in the prior year financial statements.

Consumer deposits, receivables and services charges were restated due to incorrectly linked votes between services.

Bulk purchases and finance cost were restated due to DWA payable that was not recognised in the book of the minicipality.

Fair value adjustments was restated due to incorrect adjustment that were made in the prior financial years.

Statement of financial position

Notes to the Annual Financial Statements

43. Prior-year adjustments (continued)

2018

	Note	As previously reported	Correction of error	Re-classification & remapping	Restated
Inventories		751,999	4,597,449	-	5,349,448
Other receivables		10,679,514	(9,062,561)	8,213	1,625,166
Receivables from non exchange transactions		26,376,444	(661,066)	-	25,715,378
Receivables from exchange transactions		143,471,181	(60,335,942)	-	83,135,239
VAT receivables		155,252,956	(10,186,088)	-	145,066,868
Property plant and Equipment		869,917,305	427,629,576	-	1,297,546,881
Intangible assets		2,728,206	1,321,200	-	4,049,406
Payables from exchange transactions		(1,192,398,553)	(27,199,451)	(8,213)	(1,219,606,217)
Consumer deposits		(5,145,758)	(3,524)	-	(5,149,282)
Unspent conditional grants		(18,888,693)	2,932,500	-	(15,956,193)
Provisions		(295,595,200)	53,039,069	-	(242,556,131)
Employee benefit obligation		(81,454,000)	52,330,245	(141,900)	(29,265,655)
Employee benefit		(3,240,000)	-	141,900	(3,098,100)
Investment property		26,184,200	105,190,288	-	131,374,488
		(361,360,399)	**539,591,695**	**-**	**178,231,296**

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification & remapping	Restated
Repairs and maintenance		(42,684,816)	(7,295,127)	1,767,780	(48,212,163)
Government grants and subsidies		258,018,166	4,752,385	-	262,770,551
Service charges		263,978,219	3,141,456	-	267,119,675
Other income		3,395,921	(1,701,207)	-	1,694,714
Interest received		45,360,931	2,658,869	-	48,019,800
Property rates		76,079,609	6,564,604	-	82,644,213
Dinations received		1,000,000	1,365,000	-	2,365,000
Employee related costs		(231,429,369)	31,757,000	-	(199,672,369)
Depreciation and amortisation		(82,844,001)	11,934,967	-	(70,909,034)
Debt Impairment		(74,379,059)	(78,430,601)	-	(152,809,660)
Finance cost		(35,674,690)	(37,695,631)	(838)	(73,371,159)
Contracted services		(9,163,196)	4,579,527	-	(4,583,669)
General expenditure		(133,721,294)	37,195,554	(1,766,942)	(98,292,682)
Bulk purchases		(214,812,687)	6,131,569	-	(208,681,118)
Fair value adjustment		309,851	3,941,235	-	4,251,086
Actuarial gains		-	(1,747,485)	-	-
Surplus for the year		**(176,566,415)**	**(12,847,885)**	**-**	**(187,666,815)**

44. Risk management

Financial risk management

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

44. Risk management (continued)

Liquidity risk

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

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Consumer deposits	5,115,160	-	-	-
Finance lease obligation	-	-	-	-
Trade and other payables	-	-	-	-
Payable from exchange transactions	1,441,974,726	-	-	-
Unspent conditional grants and receipts	41,309,028	-	-	-

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables from exchange transactions	1,219,598,005	-	-	-
Unspent conditional grants and receipts	15,956,192	-	-	-
Consumer deposit	5,149,282	-	-	-
Finance lease obligation	42,418	-	-	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade receivables. 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 on-going 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.

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

Financial instrument	2019	2018
Other financial assets	1,056,728	991,799

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

45. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R (23,147,306) and that the municipality's total liabilities exceed its assets by R (23,147,306).

Notes to the Annual Financial Statements

Figures in Rand

45. Going concern (continued)

The financial statements indicates that the municipality incurred a net loss of R208,601,806 during the year ended 30 June 2019. As of that date, the municipality was in a net currently liability position of R1,284,267,282.

This means that current liabilities exceed current assets and indicates that the municipality may struggle to meet their current obligations as they become due and payable.

This is further evidenced in the creditor's payment period which increased to 1244,7 days from 1186,3 days in the previous financial year. In addition, the municipality owed Eskom R1 060 482 923(2018: R931 905 488) and the Department of Water Affairs R108 592 158(2018: R93 429 678) as at 30 June 2019 which is long overdue. These events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the municipality’s ability to continue as a going concern.

46. Events after the reporting date

Management is not aware of any events that happened after the reporting date that requires disclosure.

47. Unauthorised expenditure

Opening balance	564,253,499	396,108,159
Unathorisesd expenditure	169,315,082	168,145,340
	733,568,581	**564,253,499**

48. Fruitless and wasteful expenditure

Opening balance	239,840,267	177,750,330
Add: Fruitless and wasteful expenditure	21,303,493	127,858,824
Less: Eskom write off	-	(65,768,887)
	261,143,760	**239,840,267**

Details of fruitless and wasteful expenditure		
Auditor General of South Africa(AGSA)	247,315	106,411
Eskom	9,597,987	110,552,313
Eskom NMD	1,029	5,696,930
Rand water	31,695	51,741
OFS pension fund	6,789	4,271
Department of Water Affairs	6,949,768	7,567,470
SALA Pension fund	7,327	23,354
SAMWU providend fund	347	18,713
SARS - EMP (Interest and penalties)	3,840,315	3,300,642
SARS - VAT (Interest and penalties)	450,336	367,740
Telkom	86,085	52,854
NFMW	5,510	46,896
Business Connection (BCX)	-	69,382
Councillors pension fund	101	-
Lebea Attorney	78,889	-
	21,303,493	**127,858,717**

Fruitless and waste expenditure were restated to R239,840,267.00 due to Department of water affairs interest that was not accounted for in the 2017/2018 Financial year.Refer to note

Notes to the Annual Financial Statements

Figures in Rand

49. Irregular expenditure

Opening balance	356,973,824	176,309,074
Add: Irregular Expenditure - current year	18,885,528	97,136,638
Add: Irregular Expenditure - non comliance with bid committee composition	35,849,706	83,528,112
Less: Amounts written off (2017)	(18,114,811)	-
Less: Amounts written off (2018)	(6,684,216)	-
Less: Amounts written off (2019)	(5,376,070)	-
	381,533,961	**356,973,824**

50. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	2,328,751	1,893,020
Current year subscription / fee	2,381,574	2,328,751
Amount paid - current year	(2,269,370)	(1,893,020)
	2,440,955	**2,328,751**

SALGA disclosure were restated to an amount of R2,328,751.00 for the 2018 financial year.Refer to note.

Audit fees

Opening balance	1,729,518	2,521,980
Current year audit fees	6,351,000	4,011,270
Prior period error	-	1,763,174
Prior period error (Interest)	247,315	108,099
Amount paid - current year	(2,303,543)	(3,156,085)
Amount paid - previous years	(1,631,265)	(2,518,920)
Amount paid by treasury	-	(1,000,000)
	4,393,025	**1,729,518**

Auditor General of South Africa disclosure and liability were restated with the balance of R1,729,518.Refer to note

PAYE, UIF and SDL

Opening balance	7,290,717	5,481,530
Current year payroll deductions and council contribution	33,771,788	29,591,733
Interest	500,801	408,622
Penalties	3,339,514	2,868,409
Amount paid - previous years	(7,290,717)	(5,481,530)
Amount paid current year	(19,890,537)	(25,578,047)
	17,721,566	**7,290,717**

PAYE, UIF and SDL were restated to the balance of R7,290,717 to agree to the liability at the end of June.

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

Pension and medical aid deductions

Opening balance	2,845,940	(1,623,724)
Current year subscription / fee	51,354,440	47,874,329
Interest paid	20,032	(45,028,389)
Amount paid - current year	(46,894,081)	-
Amount paid - previous years	(2,845,940)	1,623,724
	4,480,391	**2,845,940**

Pension fund and medical aid were restated to R2,845,940.00 due to pensioners medical aid contributions that were not taken in to account.

VAT

VAT receivable	169,915,971	145,066,868

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
Ferendale DA	1,301	16,406	17,707
Fieland H	822	4,438	5,260
Mabena JS	1,010	2,538	3,548
Sothiva LP	311	-	311
	3,444	**23,382**	**26,826**

* These councillors have payment arrangements in place.

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Matroos AH	-	54	54
Gobidolo SM	1,452	7,532	8,984
Fieland H	1,595	14,115	15,710
Taje ME	4,322	79,342	83,664
De Beer V	1,916	3,048	4,964
Miyen M	1,556	24,607	26,163
Ferendale R	1,255	22,915	24,170
Mvulane SL	1,065	759	1,824
Motebele R	1,023	1,142	2,165
	14,184	**153,514**	**167,698**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

51. Deviation from supply chain management regulations

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

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations. The expenses incurred as listed hereunder have been approved:

	Sole suppliers	Emergency	Impractical	Strip and quote
30 June 2019	184,323	39,029,648	-	631,121

52. Budget differences

Material differences between budget and actual amounts

Management considers any variances above 10% to be significant

52.1 -The variance is less than 10%, hence immaterial.

52.2 - Rental equipment were not able to generate rental income as budgeted, this might be due to the fact that they adequately maintained.

52.3 - The municipality have exceeded the expectation, as the actual is more than budgeted, this is due to the fact that the municipality has invested its grants as they receive them.

52.4 - The municipality budgeted more on other income, with the intention of receiving more revenue from municipal activities that are being held in Parys.

52.5 - Management budgeted more based on new tariffs for the 2018/2019 financial year.

52.6 - Management has unspent conditional grants in the 2018/2019 financial year.

52.7 - Management was not expecting to have more fines, with the intention of collecting revenue less services cut offs were expected.

52.8 - The municipality did not budget to receive donations in the 2018/2019 financial year.

52.9 - The Municipality budgeted for finance cost without taking in to account the interest charged on payables like Eskom, DWA, Rand water and other interest bearing payables.

52.10 - Management expected to collect more revenue based on their debt collection department commitment.

52.11 - Management expected to do more repairs based on the repairs and maintenance annual plan.

52.12 - Management budgeted more on contracted services.

52.13 - Management has over budgeted on general expenditure.

52. Budget differences (continued)

52.14 - The municipality has budgeted for this expenses without talking in to account that any funds used will be allocated to relevant expenditure rather than grants and subsidies.

52.15 - Municipality did not budget for fair values.

52.16 - Municipality did not budget for actuarial gains.

52.17 - Management did not budget for inventory write off.

52.18 -Management budgeted less on inventories, as they did not take in to account inventories that were in the electrical and water stores.

52.19 - Management budgeted for receivables based on new tariffs and without taking in to account, indigents and impairment.

52.20 - Management did not budget for VAT payable or receivable in the 2018/2019 financial year..

55.21 -Management budgeted for receivables based on new tariffs and without taking in to account, indigents, impairment and estimates or interim readings used.

52.22 - Management budgeted less on this bank balance as they were not expecting to have unspent grant in the 2018/2019 financial year.

52.23 - Management has budgeted less on investment property.

52.24 - Management has budgeted less on property plant and equipment.

52.25 - Management has budgeted note on intangible assets.

52.26 - Management has budgeted on payables without taking in to account the escalation of Eskom and other interest bearing payables in to account.

52.27 - This is a long and short term portins, management did not budget for employee benefits in the 2018/2019 financial year.

52.28 - Management did not expect to have unspent grants at the end of the financial year.

52.29 - Management did not have the required information that could help them to slip the budget in to long term and short term portion on provisions, hence the inconsistencies on the long term and short term portion.

52.30 -Management budgeted for loans and borrowings with the expectation that they will have a loan from DBSA and other financial institutions.

52.31 - Management expected to receive more actual cash in the 2019 financial year than actually received.

52.32 - Management intended to spent all its allocations in the 2018/2019 financial year, yet there is still unspent in the 2019 financial year.

52.33 - Management budgeted more on interest received than actually received from financial institutions.

52.34 - Management budgeted more on other income than actually received.

52.35 - Management did not budget for this items.

52.36 - Management expected to pay more of its suppliers in the 2018/2019 financial year.

52.37 - Refer to cash generated from operations note for finance cost, less was budgeted without taking in to account the Eskom and other interest bearing payables.

Notes to the Annual Financial Statements

Figures in Rand

52. Budget differences (continued)

52.38 - Management intended to spent more on infrastructure in the 2018/2019 financial year.

52.39 - Management budgeted for actual payment of financial liability of which no obligation exit.

52.40 - The variance is between cash in the bank and the actual bank balalnce as at 30 June 2019