

**COLLINS CHABANE  
LOCAL MUNICIPALITY**  
Since 2016



**Collins Chabane Local Municipality  
Annual Financial Statements  
for the year ended June 30, 2019**

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## General Information

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<b>Nature of business and principal activities</b>	Providing municipal services and maintaining the best interest of the local community.
<b>Grading of local authority</b>	3
<b>Chief Finance Officer (CFO)</b>	Makamu E - until 31 May 2019 Maringa R (Acting CFO) - from 01 November 2018
<b>Accounting Officers</b>	Ngobeni TC Shilenge RR (Acting)
<b>Registered office</b>	Municipal Offices 125 Hospital Street Malamulele 0982
<b>Business address</b>	Municipal Offices 125 Hospital Street Malamulele 0982
<b>Postal address</b>	Private Bag X9271 Malamulele 0982
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor-General South Africa (AGSA)

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## General Information

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### Mayor

Cllr Bila TJ (until 13 December 2018)  
Cllr Maluleke M (From 13 December 2018)

### Speaker

Cllr Lebea ME

### Chief whip

Cllr Chauke MG

### Members of the Executive Committee

Cllr Maluleke SG  
Cllr Mashimbye FP  
Cllr Mutele TM  
Cllr Mavikane SX  
Cllr Mukhaha AJ  
Cllr Chauke HG  
Cllr Fungheni MC  
Cllr Baloyi DL  
Cllr Mazibuko MP

### Other members of Municipal Council

Cllr Shivambu S  
Cllr Mabasa D  
Cllr Khoza TG  
Cllr Matamela MS  
Cllr Masangu GD  
Cllr Bila TJ  
Cllr Chauke TR  
Cllr Maluleke ET  
Cllr Simango MR  
Cllr Hlongwane SG  
Cllr Makhubele HT  
Cllr Ndove HD  
Cllr Mudau TS  
Cllr Mabasa KK  
Cllr Ngobeni MR  
Cllr Mabasa J  
Cllr Baloyi HR  
Cllr Rivombo KE  
Cllr Sunduza ZW  
Cllr Chabangu TC  
Cllr Khosa HJ  
Cllr Mabunda MC  
Cllr Chauke NS  
Cllr Munyai N  
Cllr Mukhomi VN  
Cllr Maluleke MP  
Cllr Ngobeni NE  
Cllr Mahlale S  
Cllr Moyo MT  
Cllr Mathonsi NP  
Cllr Sambo TM  
Cllr Sithole MW  
Cllr Shandukani MJ  
Cllr Chavani PJ  
Cllr Mashakeni  
Cllr Mulaudzi TN  
Cllr Mudau RP  
Cllr Madavhu FF(Retired)  
Cllr Maswanganyi TC  
Cllr Ndzovela NG  
Cllr Rekhotso SM  
Cllr Nkuna DT  
Cllr Miyambo ZQ  
Cllr Baloyi MJ  
Cllr Baloyi NJ

# Collins Chabane Local Municipality

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## General Information

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Cllr Mahlangu D  
Cllr Mabasa RC  
Cllr Baloyi OC  
Cllr Vukeya HM  
Cllr Machovani RG  
Cllr Tshiredo CE  
Cllr Hlabangwani TL  
Cllr Radzivhoni CM  
Cllr Masia TM  
Cllr Mathoma MP  
Cllr Rikhotso GM  
Cllr Thovhakale MS  
Cllr Ngobeni NL

Audit Committee members:

Mudau FJ (Chairperson)  
Hlomane HG (Resigned 07 November 2019)  
Phaleng Podile MH (Appointed 20 August 2019)  
Nchabeleng MF (Appointed 20 August 2019)  
Nevhutalu TG CA(SA) (Appointed 20 August 2019)  
Baloyi NT (Appointed 30 June 2019)

# Collins Chabane Local Municipality

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## Index

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

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### Abbreviations

CFO	Chief Financial Officer
DoRA	Division of Revenue Act
EPWP	Extended Public Works Programme
FMG	Financial Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Intergrated National Electrification Grant
MEC	Member of Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure
MM	Municipal Manager
MTDG	Municipal Transformation Demarcation Grant
NT	National Treasury
SDL	Skill Development Levy
SALGA	South African Local Government Association
SARS	South African Revenue Services
UIF	Unemployment Insurance Fund
WIP	Work in Progress

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Officer's Responsibilities and Approval

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality place considerable importance on maintaining a strong control environment. To enable the accounting officers 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 officers are 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 officers have reviewed the municipality's cash flow forecast for the year to June 30, 2020 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on pages 6 to 67, which have been prepared on the going concern basis, were approved and signed on behalf of Council on August 31, 2019 by:

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**Shilenge RR (Acting)**  
**Acting Municipal Manager**

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Officer's Report

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The accounting officers submit their report for the year ended June 30, 2019.

### 1. Incorporation

The municipality was incorporated on August 10, 2016 and commenced business on the same day.

The Municipality was established in terms of section 12 of the Municipal Structures Act, No. 117 of 1998 and is a category B municipality. It consists of 71 elected councilors and 36 wards.

### 2. Going concern

We draw attention to the fact that at June 30, 2019, the municipality had accumulated surplus of R 915,564,996 and that the municipality's total assets exceed its liabilities by R 915,564,996.

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 officers continue to secure funding for the ongoing operations for the municipality and that sound annual financial statements will remain in force for as so long as it takes to maintain the solvency of the municipality.

### 3. Subsequent events

For subsequent events disclosures refer to note 39 .

### 4. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Accounting Officer

The accounting officers of the municipality during the year and to the date of this report are as follows:

Name	Nationality
Ngobeni TC	South African
Shilenge RR (Acting)	South African

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Position as at June 30, 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	8	1,258,993	962,484
Other receivables from exchange transactions	9	8,499,679	10,468,198
Receivables from non-exchange transactions	10	24,245,205	10,216,489
Consumer receivables from exchange transaction	11	1,604,706	70,644
VAT receivable	12	11,848,968	2,843,590
Cash and cash equivalents	13	330,956,279	248,119,468
		<b>378,413,830</b>	<b>272,680,873</b>
<b>Non-Current Assets</b>			
Investment property	3	15,570,000	10,258,000
Property, plant and equipment	4	592,213,759	460,957,985
Intangible assets	5	509,250	729,222
Other financial assets	6	2	2
		<b>608,293,011</b>	<b>471,945,209</b>
<b>Total Assets</b>		<b>986,706,841</b>	<b>744,626,082</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	14	387,756	753,049
Payables from exchange transactions	16	61,776,308	25,020,128
Employee benefit obligation	7	3,685,316	3,492,898
Unspent conditional grants and receipts	15	-	28,859,142
		<b>65,849,380</b>	<b>58,125,217</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	14	-	387,756
Employee benefit obligation	7	5,292,472	3,335,220
		<b>5,292,472</b>	<b>3,722,976</b>
<b>Total Liabilities</b>		<b>71,141,852</b>	<b>61,848,193</b>
<b>Net Assets</b>		<b>915,564,989</b>	<b>682,777,889</b>
Accumulated surplus		915,564,996	682,777,886

\* See Note 35



# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	18	2,694,574	2,375,697
Rendering of services		1,339,759	2,316,848
Agency services	17	2,138,269	1,872,904
Licences and permits	17	2,795,681	3,764,756
Rental income	19	46,537	59,301
Interest income	20	11,741,614	15,708,136
<b>Total revenue from exchange transactions</b>		<b>20,756,434</b>	<b>26,097,642</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	21	33,937,423	32,216,300
<b>Transfer revenue</b>			
Government grants & subsidies	22	450,458,142	429,447,148
Gain on assets/ Fair value adjustments		6,355,052	17,681,517
Traffic fines		371,350	-
<b>Total revenue from non-exchange transactions</b>		<b>491,121,967</b>	<b>479,344,965</b>
<b>Total revenue</b>	17	<b>511,878,401</b>	<b>505,442,607</b>
<b>Expenditure</b>			
Employee related costs	23	(83,743,589)	(61,045,155)
Remuneration of councillors	24	(26,353,098)	(25,106,595)
Depreciation and amortisation	25	(22,201,365)	(14,827,034)
Finance costs		(41,243)	(41,243)
Debt Impairment	26	(6,770,729)	(151,298,955)
Repairs and maintenance		(4,037,077)	(2,336,383)
Contracted services	27	(65,607,132)	(29,860,510)
General Expenses	28	(70,337,060)	(38,123,989)
<b>Total expenditure</b>		<b>(279,091,293)</b>	<b>(322,639,864)</b>
<b>Operating surplus</b>		<b>232,787,108</b>	<b>182,802,743</b>
Gain from transfer of functions between entities not under common control	31	-	9,998,708
<b>Surplus for the year</b>		<b>232,787,108</b>	<b>192,801,451</b>

\* See Note 35

# Collins Chabane Local Municipality

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## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported 30 June 2017	532,448,824	532,448,824
Adjustments		
Prior year adjustments (Note 35)	(42,472,389)	(42,472,389)
<b>Balance at July 1, 2017 as restated*</b>	<b>489,976,435</b>	<b>489,976,435</b>
Changes in net assets		
Surplus for the year	192,801,451	192,801,451
Total changes	192,801,451	192,801,451
Opening balance as previously reported	790,352,089	790,352,089
Adjustments		
Prior year adjustments (Note 35)	(107,574,201)	(107,574,201)
<b>Restated* Balance at July 1, 2018 as restated*</b>	<b>682,777,888</b>	<b>682,777,888</b>
Changes in net assets		
Surplus for the year	232,787,108	232,787,108
Total changes	232,787,108	232,787,108
<b>Balance at June 30, 2019</b>	<b>915,564,996</b>	<b>915,564,996</b>
Note(s)		

\* See Note 35

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		15,224,983	16,790,444
Service charges		(926,593)	476,596
Grants and subsidies		421,599,004	419,367,001
Interest income		11,741,614	10,097,615
Other receipts		27,519,695	15,278,487
		<u>475,158,703</u>	<u>462,010,143</u>
<b>Payments</b>			
Employee costs		(107,947,017)	(85,921,134)
Suppliers and other payments		(111,961,661)	(63,969,298)
		<u>(219,908,678)</u>	<u>(149,890,432)</u>
<b>Net cash flows from operating activities</b>	30	<b><u>255,250,025</u></b>	<b><u>312,119,711</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(171,660,166)	(129,580,221)
New investment addition		-	(120,000,000)
		<u>(171,660,166)</u>	<u>(249,580,221)</u>
<b>Cash flows from financing activities</b>			
Finance lease payments		(753,048)	(753,048)
		<u>(753,048)</u>	<u>(753,048)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>82,836,811</b>	<b>61,786,442</b>
Cash and cash equivalents at the beginning of the year		248,119,468	186,333,026
<b>Cash and cash equivalents at the end of the year</b>	13	<b><u>330,956,279</u></b>	<b><u>248,119,468</u></b>

\* See Note 35

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## 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
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges - refuse	4,617,287	(1,883,792)	<b>2,733,495</b>	2,694,574	<b>(38,921)</b>	<b>Note 45</b>
Other income	1,708,715	648,774	<b>2,357,489</b>	1,339,759	<b>(1,017,730)</b>	
Agency services	3,034,396	(980,230)	<b>2,054,166</b>	2,138,269	<b>84,103</b>	
Licence and permits	5,529,760	-	<b>5,529,760</b>	2,795,681	<b>(2,734,079)</b>	
Rental income	93,135	-	<b>93,135</b>	46,537	<b>(46,598)</b>	
Interest income - Debtors	2,818,747	(2,818,747)	-	-	-	
Interest income - Bank	4,160,488	2,807,224	<b>6,967,712</b>	11,741,614	<b>4,773,902</b>	
<b>Total revenue from exchange transactions</b>	<b>21,962,528</b>	<b>(2,226,771)</b>	<b>19,735,757</b>	<b>20,756,434</b>	<b>1,020,677</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	15,415,666	5,045,576	<b>20,461,242</b>	33,937,423	<b>13,476,181</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	430,897,000	21,500,000	<b>452,397,000</b>	450,458,142	<b>(1,938,858)</b>	
Gain on asset/ fair value adjustments	167,124	-	<b>167,124</b>	6,355,052	<b>6,187,928</b>	
Traffic fines	167,457	(167,457)	-	371,350	<b>371,350</b>	
<b>Total revenue from non-exchange transactions</b>	<b>446,647,247</b>	<b>26,378,119</b>	<b>473,025,366</b>	<b>491,121,967</b>	<b>18,096,601</b>	
<b>Total revenue</b>	<b>468,609,775</b>	<b>24,151,348</b>	<b>492,761,123</b>	<b>511,878,401</b>	<b>19,117,278</b>	
<b>Expenditure</b>						
Personnel	(78,958,853)	(4,722,087)	<b>(83,680,940)</b>	(83,743,589)	<b>(62,649)</b>	
Remuneration of councillors	(26,395,324)	-	<b>(26,395,324)</b>	(26,353,098)	<b>42,226</b>	
Depreciation and amortisation	(14,243,569)	-	<b>(14,243,569)</b>	(22,201,365)	<b>(7,957,796)</b>	
Finance costs	-	-	-	(41,243)	<b>(41,243)</b>	
Debt Impairment	(10,016,477)	-	<b>(10,016,477)</b>	(6,770,729)	<b>3,245,748</b>	
Repairs and maintenance	(8,506,212)	3,547,475	<b>(4,958,737)</b>	(4,037,077)	<b>921,660</b>	
Contracted Services	(26,515,778)	(44,703,605)	<b>(71,219,383)</b>	(65,607,132)	<b>5,612,251</b>	
General Expenses	(83,482,059)	25,274,059	<b>(58,208,000)</b>	(70,337,060)	<b>(12,129,060)</b>	
<b>Total expenditure</b>	<b>(248,118,272)</b>	<b>(20,604,158)</b>	<b>(268,722,430)</b>	<b>(279,091,293)</b>	<b>(10,368,863)</b>	
<b>Surplus</b>	<b>220,491,503</b>	<b>3,547,190</b>	<b>224,038,693</b>	<b>232,787,108</b>	<b>8,748,415</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>220,491,503</b>	<b>3,547,190</b>	<b>224,038,693</b>	<b>232,787,108</b>	<b>8,748,415</b>	
<b>Reconciliation</b>						

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	995,340	525,590	<b>1,520,930</b>	1,258,993	<b>(261,937)</b>	<b>Note 45</b>
Other receivables from exchange transactions	18,996,260	2,278,297	<b>21,274,557</b>	8,499,679	<b>(12,774,878)</b>	
Receivables from non-exchange transactions	-	-	-	24,245,205	<b>24,245,205</b>	
VAT receivable	-	-	-	11,848,968	<b>11,848,968</b>	
Consumer debtors - other	265,586,657	(250,779,658)	<b>14,806,999</b>	1,604,706	<b>(13,202,293)</b>	
Call Investment deposits	61,102,000	(61,102,000)	-	-	-	
Cash and cash equivalents	349,691,209	(16,748,627)	<b>332,942,582</b>	330,956,279	<b>(1,986,303)</b>	
	<b>696,371,466</b>	<b>(325,826,398)</b>	<b>370,545,068</b>	<b>378,413,830</b>	<b>7,868,762</b>	
<b>Non-Current Assets</b>						
Investment property	10,258,000	-	<b>10,258,000</b>	15,570,000	<b>5,312,000</b>	
Property, plant and equipment	711,765,671	340,449,249	<b>1,052,214,920</b>	592,213,759	<b>(460,001,161)</b>	
Intangible assets	868,140	-	<b>868,140</b>	509,250	<b>(358,890)</b>	
Other financial assets	-	-	-	2	<b>2</b>	
	<b>722,891,811</b>	<b>340,449,249</b>	<b>1,063,341,060</b>	<b>608,293,011</b>	<b>(455,048,049)</b>	
<b>Total Assets</b>	<b>1,419,263,277</b>	<b>14,622,851</b>	<b>1,433,886,128</b>	<b>986,706,841</b>	<b>(447,179,287)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	387,756	<b>387,756</b>	
Payables from exchange transactions	33,254,260	(13,976,541)	<b>19,277,719</b>	61,776,308	<b>42,498,589</b>	
Employee benefit obligation	-	-	-	3,685,316	<b>3,685,316</b>	
Provisions	1,596,870	28,600,392	<b>30,197,262</b>	-	<b>(30,197,262)</b>	
	<b>34,851,130</b>	<b>14,623,851</b>	<b>49,474,981</b>	<b>65,849,380</b>	<b>16,374,399</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	639,180	-	<b>639,180</b>	-	<b>(639,180)</b>	
Employee benefit obligation	3,107,680	-	<b>3,107,680</b>	5,292,472	<b>2,184,792</b>	
	<b>3,746,860</b>	-	<b>3,746,860</b>	<b>5,292,472</b>	<b>1,545,612</b>	
<b>Total Liabilities</b>	<b>38,597,990</b>	<b>14,623,851</b>	<b>53,221,841</b>	<b>71,141,852</b>	<b>17,920,011</b>	
<b>Net Assets</b>	<b>1,380,665,287</b>	<b>(1,000)</b>	<b>1,380,664,287</b>	<b>915,564,989</b>	<b>(465,099,298)</b>	

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates, penalties and collection charges	8,478,800	2,948,915	<b>11,427,715</b>	14,287,283	<b>2,859,568</b>	<b>Note 45</b>
Service charges	2,539,350	(1,887,860)	<b>651,490</b>	562,402	<b>(89,088)</b>	
Grant and subsidies	430,897,000	-	<b>430,897,000</b>	421,599,004	<b>(9,297,996)</b>	
Other receipts	10,608,150	34,627,179	<b>45,235,329</b>	50,074,879	<b>4,839,550</b>	
Interest - Bank	8,979,000	2,371,218	<b>11,350,218</b>	11,741,614	<b>391,396</b>	
	<b>461,502,300</b>	<b>38,059,452</b>	<b>499,561,752</b>	<b>498,265,182</b>	<b>(1,296,570)</b>	
<b>Payments</b>						
Employee costs	(222,804,069)	(1,253,442)	<b>(224,057,511)</b>	(107,947,017)	<b>116,110,494</b>	
Remuneration of councillors	(411,600)	-	<b>(411,600)</b>	-	<b>411,600</b>	
Suppliers and other payments	-	-	-	(135,059,140)	<b>(135,059,140)</b>	
	<b>(223,215,669)</b>	<b>(1,253,442)</b>	<b>(224,469,111)</b>	<b>(243,006,157)</b>	<b>(18,537,046)</b>	
<b>Net cash flows from operating activities</b>	<b>238,286,631</b>	<b>36,806,010</b>	<b>275,092,641</b>	<b>255,259,025</b>	<b>(19,833,616)</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(210,294,362)	20,529,895	<b>(189,764,467)</b>	(171,669,166)	<b>18,095,301</b>	
Proceeds from sale of investment property	167,000	-	<b>167,000</b>	-	<b>(167,000)</b>	
<b>Net cash flows from investing activities</b>	<b>(210,127,362)</b>	<b>20,529,895</b>	<b>(189,597,467)</b>	<b>(171,669,166)</b>	<b>17,928,301</b>	
<b>Cash flows from financing activities</b>						
movement in finance lease	-	-	-	(753,048)	<b>(753,048)</b>	
Repayment of other financial liabilities	(672,000)	-	<b>(672,000)</b>	-	<b>672,000</b>	
<b>Net cash flows from financing activities</b>	<b>(672,000)</b>	<b>-</b>	<b>(672,000)</b>	<b>(753,048)</b>	<b>672,000</b>	
Net increase/(decrease) in cash and cash equivalents	27,487,269	57,335,905	<b>84,823,174</b>	82,836,811	<b>(1,233,315)</b>	
Cash and cash equivalents at the beginning of the year	322,204,000	(74,084,532)	<b>248,119,468</b>	248,119,468	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>349,691,269</b>	<b>(16,748,627)</b>	<b>332,942,642</b>	<b>330,956,279</b>	<b>(1,233,315)</b>	
<b>Reconciliation</b>						

All significant variances +/-10 have been explained under note 45.

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

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

The 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).

#### 1.2 Going concern.

These 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 Investment property.

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

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes. Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

#### 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.

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.1 Presentation currency (continued)

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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.

### 1.2 Going concern assumption

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

### 1.3 Transfer of functions between entities not under common control

#### Definitions

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

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

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

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

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

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

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

An asset is identifiable if it either:

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

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

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

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

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

- equity instruments or similar forms of unitised capital;



# Collins Chabane Local Municipality

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## Accounting Policies

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

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

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

#### The acquisition method

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

Applying the acquisition method requires:

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

#### Identifying the acquirer

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

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

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

#### Determining the acquisition date

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

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

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

The municipality as acquirer recognises the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit. This difference is measured as the excess of (a) over (b) below:

(a) the aggregate of:

- (i) the consideration transferred (if any) measured in accordance with this Standard, which generally requires acquisition-date fair value;
- (ii) the amount of any non-controlling interest in the acquiree measured in accordance with this Standard; and
- (iii) in a transfer of functions achieved in stages, the acquisition-date fair value of the entity as acquirer's previously held equity interest in the acquiree.

(b) the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with this Standard.

#### Subsequent measurement and accounting

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

# Collins Chabane Local Municipality

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## Accounting Policies

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### 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 service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

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

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

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

#### 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.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

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.

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.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including 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 ).

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

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 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 is initially measured at cost.

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

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

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

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

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

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

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

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

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

Property, plant and equipment of land and building is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses in line with the valuation roll of the municipality.

Depreciation is calculated on the asset's depreciable amount, using the straight line method over useful lives of the asset. The components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline.

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

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

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Item	Depreciation method	Average useful life (years)
Boundary walls	Straight line	20 - 40

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# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

Buildings/ Building works	Straight line	5 - 30
Electrical supply	Straight line	7 - 80
Fencing	Straight line	10 - 50
On site paving	Straight line	15 - 30
Other external works	Straight line	15 - 50
Sewerage systems	Straight line	10 - 55
Water supply	Straight line	5 - 100
Bins and containers	Straight line	5 - 15
Computer equipment	Straight line	3 - 10
Furniture and fittings	Straight line	3 - 10
Motor vehicles	Straight line	4 - 15
Office equipment	Straight line	3 - 15
Plant and equipment	Straight line	2 - 20
Bridges	Straight line	15 - 80
Road furniture	Straight line	15 - 50
Road structures	Straight line	20 - 100
Storm water drainage	Straight line	20 - 100
Intangibles	Straight line	2 - 5
Flood lightning	Straight line	5 - 40
Street light	Straight line	5 - 40
Traffic lights	Straight line	5 - 40
Leased assets	Not fixed	Limited to the contract term

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

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

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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

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

#### Impairment.

The municipality tests for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable (recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount). and an impairment loss is charged to the Statement of Financial Performance. ( Impairment loss of a valued asset is treated as a revaluation decrease).

#### De-recognition.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

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

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

### Subsequent measurement.

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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Item	Depreciation method	Average useful life (years)
Licenses and franchises	Straight line	2-5
Computer software, other	Straight line	2-5
Other intangible assets	Straight line	2-5

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# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.6 Intangible assets (continued)

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

#### De-recognition

Intangible assets are de-recognised when the asset is disposed of or when no future economic benefits or service potential are expected from its use. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance. The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.7 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.

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

A financial asset is:

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

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

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

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

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.

Consumer deposits are recognised as liabilities

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.7 Financial instruments (continued)

#### 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.

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation. The municipality classifies its financial assets into the following categories:

- loans and receivables; a
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows: Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a noncurrent asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

# Collins Chabane Local Municipality

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### 1.7 Financial instruments (continued)

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### 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.

### 1.8 Value Added Tax

#### Basis

The municipality accounts for Value Added Tax on cash basis.

### 1.9 Leases

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

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

#### Finance leases - 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.



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## Accounting Policies

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### 1.10 Inventories

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

Subsequently inventories are measured at weighted average cost method.

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

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

### 1.11 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

Useful life is either:

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

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.12 Employee benefits

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

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting 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 municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

A constructive obligation is an obligation that derives from an 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 municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

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## Accounting Policies

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### 1.12 Employee benefits (continued)

#### Post-employment benefits

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

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

#### Termination benefits

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

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

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

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

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

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

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

### 1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

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

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

Provisions are not recognised for future operating deficits.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 33.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and

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## Accounting Policies

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### 1.13 Provisions and contingencies (continued)

- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.14 Commitments

Items are classified as commitments when an entity 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 entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.15 Revenue from exchange transactions

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

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

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

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. Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances. Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

### Service charges

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

- 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.

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

### Sale of goods

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

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

### Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

### Agency services

# **Collins Chabane Local Municipality**

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## **Accounting Policies**

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### **1.15 Revenue from exchange transactions (continued)**

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement. The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

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## Accounting Policies

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### 1.15 Revenue from exchange transactions (continued)

#### Interest

Interest is recognised, on a time proportionate basis that takes into account the effective interest rate method.

### 1.16 Revenue from non-exchange transactions

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

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

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

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

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

Gain on assets - this apply die to assets acquired at no consideration or including fair value adjustment on investment property.

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

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

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

#### Property rates

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria is met. Revenue from property rates is recognised when the legal entitlement to this revenue arises.

Collection charges are recognised when such amounts are legally enforceable.

Rebates are respectively granted to owner of land on which not more than two dwelling units are erected provided that solely used for residential purpose.

Assessment rates income is recognised was rates account has been issued to the ratepayers

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

#### Government grant an transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

# Collins Chabane Local Municipality

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## Accounting Policies

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### 1.16 Revenue from non-exchange transactions (continued)

#### Traffic Fines

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

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

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

### 1.17 Investment income

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

### 1.18 Comparative figures

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

### 1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.20 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.

### 1.21 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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.



# Collins Chabane Local Municipality

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### 1.21 Irregular expenditure (continued)

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

### 1.22 Budget information

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

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

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

The approved budget covers the fiscal period from 7/1/2019 to 6/30/2020.

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.

The Municipality will provide explanation of +/-10% variance on comparison of budget and actual amount

### 1.23 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

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

Close members of the family of a person are 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.

### 1.24 Events after reporting date

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

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

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

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## **Accounting Policies**

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### **1.24 Events after reporting date (continued)**

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

### **1.25 Expenditure**

Expenditure is recognised for in the financial statements on accrual basis

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## Notes to the Annual Financial Statements

Figures in Rand

2019

2018

### 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 July 1, 2019 or later periods:

##### **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 April 1, 2019.

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

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

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after April 1, 2018.

The municipality expects to adopt the amendment for the first time in the 2018 annual financial statements.

##### **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 April 1, 2018

The municipality has adopted the amendment for the first time when the Minister sets the effective date for the amendment.

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

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 2. New standards and interpretations (continued)

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

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

The most significant changes to the Standard are:

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

The effective date of the amendment is for years beginning on or after April 1, 2018.

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

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

### 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	15,570,000	-	15,570,000	10,258,000	-	10,258,000

#### Reconciliation of investment property - 2019

Investment property	Opening balance	Fair value adjustments	Total
	10,258,000	5,312,000	15,570,000

#### Reconciliation of investment property - 2018

Investment property	Opening balance	Total
	10,258,000	10,258,000

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.

The municipality has performed assessment of impairment as at 30 June 2019

## Collins Chabane Local Municipality

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#### 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	8,393,442	-	8,393,442	8,949,440	-	8,949,440
Buildings	25,132,206	(2,495,893)	22,636,313	19,964,503	(1,727,640)	18,236,863
Movable assets	52,218,475	(11,906,473)	40,312,002	40,129,521	(5,357,375)	34,772,146
Community assets	89,256,703	(8,668,261)	80,588,442	44,371,676	(4,535,858)	39,835,818
Road infrastructure	281,387,558	(20,296,059)	261,091,499	189,129,215	(11,135,753)	177,993,462
Leased assets	2,503,375	(2,115,374)	388,001	2,503,375	(1,280,915)	1,222,460
WIP - Infrastructure	173,892,718	-	173,892,718	174,855,775	-	174,855,775
Electricity assets	5,474,071	(562,729)	4,911,342	5,474,071	(382,050)	5,092,021
<b>Total</b>	<b>638,258,548</b>	<b>(46,044,789)</b>	<b>592,213,759</b>	<b>485,377,576</b>	<b>(24,419,591)</b>	<b>460,957,985</b>

## Collins Chabane Local Municipality

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#### 4. Property, plant and equipment (continued)

##### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	8,949,440	-	-	(21,000)	-	(534,998)	8,393,442
Buildings	18,236,863	-	5,157,708	-	(758,258)	-	22,636,313
Movable assets	34,772,146	12,089,902	-	-	(4,170,567)	(2,379,479)	40,312,002
Community assets	39,835,818	-	44,864,027	21,000	(3,915,723)	(216,680)	80,588,442
Road infrastructure	177,993,462	-	92,258,344	-	(6,878,294)	(2,282,013)	261,091,499
Leased Assets	1,222,460	-	-	-	(834,459)	-	388,001
WIP - Infrastructure	174,855,775	159,570,264	-	(160,533,321)	-	-	173,892,718
Electricity Assets	5,092,021	-	-	-	(180,679)	-	4,911,342
	<b>460,957,985</b>	<b>171,660,166</b>	<b>142,280,079</b>	<b>(160,533,321)</b>	<b>(16,737,980)</b>	<b>(5,413,170)</b>	<b>592,213,759</b>

##### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Total
Land	8,949,440	-	-	-	-	8,949,440
Buildings	19,076,972	-	-	-	(840,109)	18,236,863
Movable assets	16,333,373	22,123,755	-	-	(3,684,982)	34,772,146
Community	42,235,221	-	-	-	(2,399,403)	39,835,818
Road - Infrastructure	139,098,834	-	-	45,009,512	(6,114,884)	177,993,462
Leased Assets	1,639,493	395,455	-	-	(812,488)	1,222,460
WIP - Infrastructure	104,631,782	107,061,011	8,172,494	(45,009,512)	-	174,855,775
Electrical assets	5,291,801	-	-	-	(199,780)	5,092,021
	<b>337,256,916</b>	<b>129,580,221</b>	<b>8,172,494</b>	<b>-</b>	<b>(14,051,646)</b>	<b>460,957,985</b>

# Collins Chabane Local Municipality

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### 4. Property, plant and equipment (continued)

The Municipality reviewed the Property, Plant and equipment useful lives and residual values as at 30 June 2019.

#### Pledged as security

During the financial year ended 30 June 2019, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

Included in the Work in Progress - Infrastructure, are electrification of villages WIP assets amounting to R18 604 790 funded from INEP grant. These assets will be transferred to a third party (Eskom), upon completion and are not the asset 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	1,099,860	(590,610)	509,250	1,099,860	(370,638)	729,222

#### Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	729,222	(219,972)	509,250

#### Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	949,194	(219,972)	729,222

The municipality has reviewed the useful lives, residual values and performed assessment of impairment as at 30 June 2019

### 6. Other financial assets

#### Residual interest at cost

Investment - VBS	122,410,521	122,410,521
Impairments	122,410,521 (122,410,519)	122,410,521 (122,410,519)
	<b>2</b>	<b>2</b>

#### At amortised cost

Investment - VBS	122,410,521	122,410,521
<b>Total other financial assets</b>	<b>122,410,523</b>	<b>122,410,523</b>

#### Non-current assets

Residual interest at cost	2	2
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#### Financial assets at fair value

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 7. Employee benefit obligations

#### Defined benefit plan

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

Defined benefit obligation - Long service award	3,579,673	3,879,266
Defined benefit obligation - unused leave benefits	5,398,115	2,948,852
	<b>8,977,788</b>	<b>6,828,118</b>

#### 7.1 Long-Service award

The municipality provides long service awards to its permanent employees. The municipality offers rewards for specified year intervals of completed years of services.

In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of every year. The latest valuation was performed by ARCH Actuarial Consulting for 30 June 2019.

Long service awards relate to the legal obligation to provide long service awards. Actuarial benefits have been calculated for 218 eligible employee as at 30 June 2019 that are entitled to long service awards.

The long service awards liability is not a funded arrangement. i.e no assets have been set aside to meet this liability. The municipality offers rewards as per specified year intervals of completed service.

	2019	2018
Long term portion	R3 391 203	R2 667 693
Current portion	R188 470	R1 211 573
	<b>R3 579 673</b>	<b>R3 879 266</b>

#### Key assumptions

	2019	2018
Discount rate (%)	8	8
General salary inflation (%)	6	6
Net discount rate (%)	2	2
Average retirement age (Years)	62	63
	-	-

#### 7.2 Unused leave days.

This is the present value of the total unused leave benefit expected to become payable under the employer's current service arrangements and based on the assumption made.

This may be regarded as the amount of money that should be set aside in present day terms to cover all expected unused leave benefit for current employees.

	2019	2018
Long term portion	R1 901 269	R667 527
Current portion	R3 496 846	R2 281 325
	<b>R5 398 115</b>	<b>R2 948 852</b>

#### Assumption used at the reporting date

	2019	2018
Discount rates used	9.15%	9.37%
General salary inflation	6.14%	6.74%
Net discount rate	2.83%	2.46%
Average retirement age	62	63



# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>8. Inventories</b>		
Consumable stores	1,258,980	962,471
Land inventory	13	13
	<b>1,258,993</b>	<b>962,484</b>
<p>Land inventory consist of municipal land currently occupied by persons to whom the land has not been legally transferred. The land is recognised at R1 fair value each with view to apply market values upon sale or transfer of titles/ ownership.</p>		
<b>9. Other receivables from exchange transactions</b>		
Sundry debtors	8,499,679	10,468,198
<p>There was no sundry debtors which was pledged as collateral</p>		
<b>10. Other receivables from non-exchange transactions</b>		
Property rates	52,359,489	33,647,049
Property rates impairment	(28,114,284)	(23,430,560)
	<b>24,245,205</b>	<b>10,216,489</b>
<b>Ageing for rates.</b>	<b>2019</b>	<b>2018</b>
Current (0-30 days)	8,516,044	1,548,069
31-60 days	2,682,059	874,049
61- 90 days	2,609,348	857,471
91-120 days	2,437,586	791,585
121-365 days	11,895,454	5,522,872
> 365 days	24,218,998	24,053,002
Less: Allowance for impairment	(28,114,284)	(23,430,560)
	<b>24,245,205</b>	<b>10,216,488</b>
<p>Fair value of consumer debtors approximates the carrying amount thereof.</p>		
<b>11. Consumer receivables from exchange transaction</b>		
<b>Gross balances</b>		
Refuse	15,898,385	12,277,318
Consumer debtors - other	22,471,597	22,471,597
	<b>38,369,982</b>	<b>34,748,915</b>
<b>Less: Allowance for impairment</b>		
Refuse	(14,293,681)	(12,206,676)
Others	(22,471,595)	(22,471,595)
	<b>(36,765,276)</b>	<b>(34,678,271)</b>
<b>Net balance</b>		
Refuse	1,604,704	70,642
Other	2	2
	<b>1,604,706</b>	<b>70,644</b>

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>11. Consumer receivables from exchange transaction (continued)</b>		
<b>Refuse</b>		
Current (0 -30 days)	537,441	328,467
31 - 60 days	271,833	227,004
61 - 90 days	270,001	221,627
91 - 120 days	248,172	212,344
121 - 365 days	1,920,743	1,483,566
> 365 days	12,650,195	9,804,310
Less: Allowance for impairment	(14,293,681)	(12,206,676)
	<b>1,604,704</b>	<b>70,642</b>
<b>Other</b>		
Current (0 -30 days)	54,980	948,159
31 - 60 days	36,028	576,228
61 - 90 days	35,679	567,571
91 - 120 days	35,385	532,124
121 - 365 days	238,916	513,271
> 365 days	22,070,609	19,334,244
Less: Allowance for impairment	(22,471,595)	(22,471,595)
	<b>2</b>	<b>2</b>

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 11. Consumer receivables from exchange transaction (continued)

#### Summary of debtors by customer classification

##### Residential

Current (0 -30 days)	1,027,012	913,897
31 - 60 days	795,157	675,651
61 - 90 days	786,490	670,915
91 - 120 days	781,050	630,329
121 - 365 days	6,003,076	4,339,138
> 365 days	105,816,496	100,079,771
	<b>115,209,281</b>	<b>107,309,701</b>

##### Industrial/ Commercial

Current (0 -30 days)	642,132	416,135
31 - 60 days	149,741	149,283
61 - 90 days	146,742	137,231
91 - 120 days	138,086	109,088
121 - 365 days	983,334	501,685
> 365 days	10,838,611	10,093,558
	<b>12,898,646</b>	<b>11,406,980</b>

##### National and Provincial Government

Current (0 -30 days)	7,389,218	574,827
31 - 60 days	1,573,857	332,714
61 - 90 days	1,559,517	332,109
91 - 120 days	1,810,215	329,625
121 - 365 days	10,289,621	2,527,268
> 365 days	2,440,761	1,799,349
	25,063,189	5,895,892
	-	-

##### Total

Current (0 -30 days)	9,058,362	1,904,859
31 - 60 days	2,518,756	1,157,647
61 - 90 days	2,492,907	1,140,254
91 - 120 days	2,729,351	1,069,041
121 - 365 days	17,276,031	7,368,090
> 365 days	119,095,868	111,972,679
	<b>153,171,275</b>	<b>124,612,570</b>

### 12. VAT receivable

VAT	11,848,968	2,843,590
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VAT is accounted for on cash basis.

### 13. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	330,956,279	248,119,468
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There was no short-term investment made during the year under review

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand 2019 2018

### 13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2019	30 June 2018	June 30, 2017	June 30, 2019	June 30, 2018	June 30, 2017
Current Account - 62632407020	330,956,279	248,119,468	124,086,577	330,956,279	248,119,468	124,086,577
Call Account - 62644021933	-	-	20,748,811	-	-	20,748,811
Call Account - 62644025620	-	-	41,497,637	-	-	41,497,637
<b>Total</b>	<b>330,956,279</b>	<b>248,119,468</b>	<b>186,333,025</b>	<b>330,956,279</b>	<b>248,119,468</b>	<b>186,333,025</b>

### 14. Finance lease obligation

#### Minimum lease payments due

- within one year	387,756	753,048
- in second to fifth year inclusive	-	387,756

**Present value of minimum lease payments** **387,756 1,140,804**

Non-current liabilities	-	387,756
Current liabilities	387,756	753,049
	<b>387,756</b>	<b>1,140,805</b>

Municipality has leased photocopier machines for a non-renewable period of 36 month. The lease agreement provides for monthly payments of main R53 668.21, Machine 1: R10 612.50 and Machine 2: R1 910.25 with no escalation.

### 15. Unspent conditional grants and receipts

The Municipality did not have unspent conditional grant as at 30 June 2019. Below is the detail reconciliation:

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

MIG	-	16,085,354
MDTG	-	7,782,548
INEP	-	4,991,240
	<b>-</b>	<b>28,859,142</b>

### 16. Payables from exchange transactions

Trade payables	33,106,634	4,790,517
Payments received in advance from customers	2,396,233	1,839,331
Sundry creditors	2,390,818	-
Accrued bonus - 13th cheque	1,134,798	1,513,211
Unallocated deposits	138,225	701,163
Retention	22,055,070	16,175,906
Department of Transport	554,530	-
	<b>61,776,308</b>	<b>25,020,128</b>

Payables increase is linked to the growth of the municipality on project implementaiton and invoices not paid at year end.

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>17. Total revenue</b>		
Rendering of services	1,339,759	2,316,848
Service charges	2,694,574	2,375,697
Agency services	2,138,269	1,872,904
Licences and permits	2,795,681	3,764,756
Rental income	46,537	59,301
Interest earned - bank	11,741,614	15,708,136
Property rates	33,937,423	32,216,300
Government grants & subsidies	450,458,142	429,447,148
Gain on assets/ Fair value adjustments	6,355,052	17,681,517
Traffic fines	371,350	-
	<b>511,878,401</b>	<b>505,442,607</b>

### The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	2,694,574	2,375,697
Rendering of services	1,339,759	2,316,848
Agency services	2,138,269	1,872,904
Licences and permits	2,795,681	3,764,756
Rental income	46,537	59,301
Interest income - bank	11,741,614	15,708,136
	<b>20,756,434</b>	<b>26,097,642</b>

### The amount included in revenue arising from non-exchange transactions is as follows:

<b>Taxation revenue</b>		
Property rates	33,937,423	32,216,300
<b>Transfer revenue</b>		
Government grants & subsidies	450,458,142	429,447,148
Gain on assets/ Fair value adjustments	6,355,052	17,681,517
Traffic fines	371,350	-
	<b>491,121,967</b>	<b>479,344,965</b>

### Nature

Rendering of services - This include revenue for slae of tender documents, approval of building plans and proof of residence fees.

Service revenue - Is the revenue from refuse removal services provided by the municipality

### 18. Service charges

Refuse removals	2,694,574	2,375,697
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### 19. Rental income

Rental income - third party	46,537	59,301
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### 20. Interest revenue

<b>Interest revenue</b>		
Interest income - Bank	11,741,614	15,708,136

During the current year interest were only earned from the primary bank account.

# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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Figures in Rand	2019	2018
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### 21. Property rates

#### Rates received

Property rates	33,937,423	32,216,300
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The increase in property rates is due to properties improvements which were included in the 2019 supplementary valuation roll and completeness exercise done on the billing in current year

#### Valuations

Residential	1,155,483,594	1,078,312,503
Commercial	389,285,000	342,407,057
Agricultural	789,783,000	121,727,975
Government	947,482,000	1,155,483,594
	<b>3,282,033,594</b>	<b>2,697,931,129</b>

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# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>22. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	327,068,142	304,695,000
Municipal Demarcation Transition Grant	-	8,726,421
Municipal Systems Improvement Grant (MSIG)	1,061,000	-
Financial Management Grant (FMG)	2,345,000	3,024,407
Extended Public Works Programme Grant (EPWP)	1,134,000	1,000,000
	<b>331,608,142</b>	<b>317,445,828</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant (MIG)	101,850,000	95,992,560
Intergrated Nation Electrification Program Grant (INEP)	17,000,000	16,008,760
	<b>118,850,000</b>	<b>112,001,320</b>
	<b>450,458,142</b>	<b>429,447,148</b>

### Equitable Share

In terms of the constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy which is funded from the grant.

### Finance Management Grant (FMG)

Balance unspent at beginning of year	-	679,407
Current-year receipts	2,345,000	2,345,000
Conditions met - transferred to revenue	(2,345,000)	(3,024,407)
	-	-

This grant is used to promote and support reforms to municipal financial management and implementation of MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	16,085,354	28,597,914
Current-year receipts	101,850,000	83,480,000
Fund withheld	(16,085,354)	-
Conditions met - transferred to revenue	(101,850,000)	(95,992,560)
	-	<b>16,085,354</b>

Conditions were met in the current year 2019. Conditions were not met in 2018 - remain liabilities (see note 12).

This grant was used to construct Municipal Infrastructure to provide basic services for the benefit of communities. The 2018 Roll-over conditions were not met and fund amounting to R16 085 354 were withheld by National Treasury.

### Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of year	7,782,548	9,661,970
Current-year receipts	-	6,847,000
Conditions met - transferred to revenue	-	(8,726,422)
Funds withheld	(7,782,548)	-
	-	<b>7,782,548</b>

Conditions were met for 2019 financial year. Conditions were not met for 2018 - remain liabilities (see note 15). There was no transfer received in current year.

# Collins Chabane Local Municipality

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### 22. Government grants and subsidies (continued)

The grant was used to subsidise the additional institutional and administrative costs arising from major boundary changes due to come into effect at the time of the 2016 local government elections. The 2018 Roll-over conditions were not met and fund amounting to R7 782 548 were withheld by National Treasury.

#### Intergrated National Electrification Programme

Balance unspent at beginning of year	4,991,240	-
Current-year receipts	17,000,000	21,000,000
Conditions met - transferred to revenue	(17,000,000)	(16,008,760)
Funds withheld	(4,991,240)	-
	<u>-</u>	<u>4,991,240</u>

Conditions were met for 2019. Conditions were still to be met for 2018 - remain liabilities (see note 15). The grant is meant for electrification projects.

The 2018 Roll-over conditions were not met and fund amounting to R4 991 240 were withheld by Treasury.

#### Extended Public Works Program (EPWP)

Current-year receipts	1,134,000	1,000,000
Conditions met - transferred to revenue	(1,134,000)	(1,000,000)
	<u>-</u>	<u>-</u>

Grant conditions were met. The grant is used to create temporarily work for unemployed people.

#### Municipal Improvement Grant (MSIG)

Current-year receipts	1,061,000	-
Conditions met - transferred to revenue	(1,061,000)	-
	<u>-</u>	<u>-</u>

The condition for the grant were met. The grant was used used to for capacity building and to improve billing.



# Collins Chabane Local Municipality

(Registration number LIM345)

Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

Figures in Rand	2019	2018
<b>23. Employee related costs</b>		
Basic	53,491,994	43,901,715
Cellphone allowance	6,000	58,016
Bonus	3,114,715	2,841,169
Medical aid - company contributions	2,307,235	1,730,043
UIF	372,871	415,599
Other payroll levies	21,912	11,067
Leave pay provision charge	4,079,039	-
Defined contribution plans	-	60,471
Travel, motor car, accommodation and other allowances	6,775,429	2,055,684
Overtime payments	2,589,094	1,983,640
Long-service awards	876,136	-
Housing benefits and allowances	137,581	77,458
Pension fund contribution	9,971,583	7,910,293
	<b>83,743,589</b>	<b>61,045,155</b>
<b>Remuneration of Municipal Manager</b>		
Annual Remuneration	938,241	823,237
Car Allowance	275,916	-
Contributions to UIF, Medical and Pension Funds	-	267,202
	<b>1,214,157</b>	<b>1,090,439</b>
<b>Remuneration of Chief Finance Officer</b>		
Annual Remuneration	719,989	704,031
Car Allowance	207,669	202,153
Leave pay	174,062	-
Acting Allowance	104,981	-
	<b>1,206,701</b>	<b>906,184</b>
<b>Remuneration of Senior Manager - Corporate Services</b>		
Annual Remuneration	785,443	661,986
Car Allowance	226,548	197,000
Contributions to UIF, Medical and Pension Funds	-	47,197
Acting allowance	117,644	-
	<b>1,129,635</b>	<b>906,183</b>
<b>Remuneration of Senior Manager - Spatial Planning and Development</b>		
Annual Remuneration	785,443	250,117
Car Allowance	226,548	100,000
Contribution Medical	-	19,250
	<b>1,011,991</b>	<b>369,367</b>
<b>Remuneration of Senior Manager - Technical service</b>		
Annual Remuneration	770,338	750,184
Car Allowance	226,548	156,000
Bonus (Thirteen cheque)	15,105	-
Contribution to Medical	-	25,341

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Figures in Rand	2019	2018
<b>23. Employee related costs (continued)</b>	<b>1,011,991</b>	<b>931,525</b>
<b>Remuneration of Senior Manager - Community Services</b>		
Annual Remuneration	785,443	340,374
Car Allowance	226,548	109,714
Contributions to UIF, Medical and Pension Funds	-	23,599
	<b>1,011,991</b>	<b>473,687</b>
<b>24. Remuneration of councillors</b>		
Mayor	763,933	795,913
Speaker	532,348	539,371
Remuneration and allowances for other councillors	25,056,817	23,771,311
	<b>26,353,098</b>	<b>25,106,595</b>
<b>25. Depreciation and amortisation</b>		
Property, plant and equipment	21,981,393	14,625,142
Amortisation of assets	219,972	201,892
	<b>22,201,365</b>	<b>14,827,034</b>
<b>26. Impairment</b>		
Debt and VBS impairment	6,770,729	151,298,955
<b>27. Contracted services</b>		
<b>Outsourced Services</b>		
Security services	8,772,927	3,086,843
<b>Consultants and Professional Services</b>		
Business advisory	10,060,768	24,699,583
Legal costs	7,308,351	2,074,084
IT services and others	39,465,086	-
	<b>65,607,132</b>	<b>29,860,510</b>

# Collins Chabane Local Municipality

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Figures in Rand	2019	2018
<b>28. General expenses</b>		
Advertising	2,539,581	1,491,975
Auditors remuneration	3,981,871	2,652,051
Bank charges	281,031	3,568,416
Consumables	9,015,489	3,782,328
EPWP	-	4,401,010
Insurance	2,867,061	1,538,046
Printing and stationery	244,186	-
Staff welfare	543,823	-
Subscriptions and membership fees	38,135	2,463,170
Telephone and fax	708,300	713,482
Transport and freight	144,396	-
Venue, conference and catering	5,726,174	689,941
Accommodation	3,520,737	4,422,480
Ward committees	3,275,980	3,554,000
Travel - local	1,647,281	1,956,076
Electricity	2,492,945	1,679,257
Licences and permits (non-vehicle)	1,557,801	22,857
IDP forum and other trainings	6,697,235	275,235
Bursary	1,033,445	-
Information and technology	2,206,850	1,386,919
Project transfers	18,406,331	-
Indigent expenses	3,408,408	3,526,746
	<b>70,337,060</b>	<b>38,123,989</b>

Project transfer costs related to completed INEP electrification projects which were completed and transferred to Eskom.

### 29. Auditors' remuneration

Fees	3,981,871	2,652,051
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### 30. Cash generated from operations

Surplus	232,787,108	192,801,451
<b>Adjustments for:</b>		
Depreciation and amortisation	22,201,365	14,827,034
Finance costs - Finance leases	41,243	41,243
Debt impairment	6,770,729	151,298,955
Transfer of projects (non-cash)	18,384,327	(9,998,708)
Gain/ loss on assets	(6,355,052)	(17,681,517)
Employee benefit obligations	2,149,670	(147,797)
Interest (not received)	-	(2,451,759)
<b>Changes in working capital:</b>		
Inventories	(296,509)	(224,525)
Other receivables from exchange transactions	1,968,519	(9,953,076)
Receivable from non-exchange	(13,697,255)	(8,264,726)
Consumer receivables from exchange	(12,076,952)	(8,731,097)
Payables from exchange transactions	41,237,352	13,522,859
VAT receivable	(9,005,378)	7,161,522
Unspent conditional grants and receipts	(28,859,142)	(10,080,148)
	<b>255,250,025</b>	<b>312,119,711</b>

# Collins Chabane Local Municipality

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### 31. Transfer of functions between entities not under common control

#### Transfer of function

On 10 August 2016 LIM345- Collins Chabane Local Municipality was established in terms of Municipal Systems Act as a result of the establishment, there was a transfer of functions from Makhado municipality and Thulamela Local Municipality.

This transfer of function was done in terms of GRAP 106 which relates to Transfer of Function between entities not under common control.

Gain and Losses on the transfer of assets and liabilities were recognised at fair value on the statement of financial performance.

Additional assets related to road infrastructure WIP which was not completed on date of transfer was only transferred to the municipality in the prior year period.

Aggregate gain on transfer of functions amounted to (R0 2018: R9 998 708)

#### The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed

Road infrastructure	-	9,998,708
Total identifiable net assets	-	-
	-	<b>9,998,708</b>

### 32. Commitments

#### Authorised expenditure

##### Already contracted for but not provided for

• Capital	64,342,468	87,138,639
• Operation	75,748,145	4,115,784
	<b>140,090,613</b>	<b>91,254,423</b>

# Collins Chabane Local Municipality

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### 33. Contingencies

#### Contigent Liabilities:

**1. Nyari Violet & Others Versus LIM345 (Collins Cgabane) Local Municipality,**

Nyari Violet and her twenty-five (25) other colleagues, Extended Public Works Programme (EPWP) contract termination by the Municipality). R0 2018: R0

**2. Midiro Civils and Construction cc (First Applicant) & Lebaka Construction (Pty) Ltd (Second Applicant) versus Engineerex (Pty) Ltd (First Responded) & Collins Chabane Local Municipality( Second Respondent); and Engineerex (Pty) Ltd (Applicant) versu Collins Chabane Local Municipality (Second Defendant),**

Disputed Payment Certificate for Xikundu Ring Road. R17 165 134.00 2018:R0

**3. Khethwayo Construction CC (Plaintiff) versus Ndhuna Civil Engineering Services CC,Firts Defendant and LIM345 Local Municipality i.e Collins Chabane Loca Municipality, Second Defendant**

Disputed allegation that the Municipality paid the amount wrongfully to the bank account of the partner of the Joint Venture instead of paying the same amount to the Joint Venture bank account. R0 2018:R0

**4. Tiyani Confidence Chauke & 37 Others (Applicant) versus Collins Chauke Local Municipality (Respondent)**

Dispute over permanent employment of EPWP workers within Collins Chabane Local Municipality. Legal assessment of the case put the prospect of losing the case very low. R0 2018:R0

**5. Nkuna, Jan Wisani(First Applicant); Bila Solly Khatani (Second Applicant); The Masingita Group of Companies (Third Applicant); Mavambe Tribal Authority (Fourth Applicant); and Mavambe Tribal Council of the Mavambe Tribe(Fifth Applicant) versus Collins Chabane Municipality (12th Respondent)**

The dispute is about title to ownership/control of a huge piece of Land worth 7384 hectares. The Land in question now falls under the Jurisdiction of the Collins Chabane Local Municipality. R0 2018:R0

**6. Collins Chabane Local Municipality (Applicant) versus Mpho Richard Mshiloane N.O (First Respondent) and Tsakani Charlotte Ngobeni (Second Respondent)**

Labour court application for review of the desiplinary process which cleared by Municipal Manager of any wrong doing pertaining to the investment of R120 000 000 worth of the Municipality funds with the Venda Building Society (VBS). R0 2018: R0

# Collins Chabane Local Municipality

(Registration number LIM345)

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## Notes to the Annual Financial Statements

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### 34. Related parties

Relationships

Members of key management personnel (Refer to note 23)

TC Ngobeni (Municipal Manager)  
Shilenge RR (Acting Municipal Manager)  
R Maringa (Acting Chief Financial Officer)  
E Makamu (Chief Financial Officer)  
Shilenge RR (Senior Manager Corporate Services)  
HC Mukwevho (Senior Manager Planning and Development)  
RI Mabunda (Senior Manager Technical Services)  
GL Maluleke (Senior Manager Community Services)  
Refer to details remuneration below:

Councillors

**Remuneration of management**

# Collins Chabane Local Municipality

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Annual Financial Statements for the year ended June 30, 2019

## Notes to the Annual Financial Statements

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### 34. Related parties (continued)

#### Councillors

2019

Name	Basic salary	Car allowance	Cell phone Allowance	Total
Cllr Maluleke M (Mayor)	557,564	25,188	44,400	627,152
Cllr Lebea (Speaker)	532,732	129,469	44,400	706,601
Cllr Chauke MG (Chief Whip)	499,436	121,384	44,400	665,220
Cllr Maluleke SG	499,436	121,377	44,400	665,213
Cllr Mashimbye FP	499,436	121,377	44,400	665,213
Cllr TM Mutele	278,625	67,714	44,400	390,739
Cllr Mavikane SX	499,436	121,376	44,400	665,212
Cllr Makhaha AJ	278,625	67,714	44,400	390,739
Cllr Chauke HG	278,625	67,714	44,400	390,739
Cllr Fungheni MC	278,625	67,714	44,400	390,739
Cllr Baloyi DL	278,625	67,714	44,400	390,739
Cllr Madavhu FF	117,543	29,385	44,400	191,328
Cllr Shivambu S	210,737	51,215	44,400	306,352
Cllr Mabasa D	210,737	51,215	44,400	306,352
Cllr Khoza TG	210,737	51,215	44,400	306,352
Cllr Matamela MS	210,737	51,215	44,400	306,352
Cllr Masangu GD	210,737	51,215	44,400	306,352
Cllr Chauke TR	210,737	51,215	44,400	306,352
Cllr Maluleke ET	211,957	51,215	44,400	307,572
Cllr Simango MR	210,737	51,215	44,400	306,352
Cllr Maluleke LR	282,340	57,400	44,400	384,140
Cllr Hlongwane SG	270,445	65,726	44,400	380,571
Cllr Makhubele HT	210,737	51,215	44,400	306,352
Cllr Ndove HD	270,445	65,726	44,400	380,571
Cllr Mudau TS	470,311	110,334	44,400	625,045
Cllr Mabasa KK	210,737	51,215	44,400	306,352
Cllr Ngobeni MR	210,737	51,215	44,400	306,352
Cllr Mabasa J	270,445	65,726	44,400	380,571

# Collins Chabane Local Municipality

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## Notes to the Annual Financial Statements

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### 34. Related parties (continued)

Cllr Baloyi HR	210,737	51,215	44,400	306,352
Cllr Rivombo KE	210,737	51,215	44,400	306,352
Cllr Sunduza ZW	210,737	51,215	44,400	306,352
Cllr Chabangu TC	210,737	51,215	44,400	306,352
Cllr Khosa HJ	210,737	51,215	44,400	306,352
Cllr Mabunda MC	210,737	51,215	44,400	306,352
Cllr Chauke NS	210,737	51,215	44,400	306,352
Cllr Munyai N	210,737	51,215	44,400	306,352
Cllr Mukhomi VN	210,737	51,215	44,400	306,352
Cllr Maluleke MP	210,737	51,215	44,400	306,352
Cllr Ngobeni NE	210,737	51,215	44,400	306,352
Cllr Mahlale S	210,737	51,215	44,400	306,352
Cllr Moyo MT	270,445	65,726	44,400	380,571
Cllr Mathonsi NP	210,737	51,215	44,400	306,352
Cllr Sambo TM	210,737	51,215	44,400	306,352
Cllr Sithole MW	210,737	51,215	44,400	306,352
Cllr Shandukani	270,445	65,726	44,400	380,571
Cllr Chavani PJ	210,737	51,215	44,400	306,352
Cllr Mashakeni KE	210,737	51,215	44,400	306,352
Cllr Mulaudzi TN	270,445	65,726	44,400	380,571
Cllr Mudau RP	270,445	65,726	44,400	380,571
Cllr Madavhu FF	123,420	29,385	44,400	197,205
Cllr Ndzovela NG	210,737	51,215	44,400	306,352
Cllr Rekhoto SM	270,445	65,726	44,400	380,571
Cllr Nkuna DT	210,737	51,215	44,400	306,352
Cllr Miyambo ZQ	282,340	65,726	44,400	392,466
Cllr Baloyi MJ	210,737	51,215	44,400	306,352
Cllr Baloyi NL	210,737	51,215	44,400	306,352
Cllr Mahlangu D	270,445	65,726	44,400	380,571
Cllr Mabasa RC	270,445	65,726	44,400	380,571
Cllr Baloyi OC	213,803	51,215	44,400	309,418
Cllr Vukeya TE	210,737	51,215	44,400	306,352
Cllr Chauke HM	210,737	51,215	44,400	306,352
Cllr Machovani RG	210,737	51,215	44,400	306,352
Cllr Tshiredo CE	210,737	51,215	44,400	306,352
Cllr Hlabangwani TL	210,737	51,215	44,400	306,352



## Collins Chabane Local Municipality

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### Notes to the Annual Financial Statements

Figures in Rand

#### 34. Related parties (continued)

Cllr Radzivhoni CM	210,737	51,215	44,400	306,352
Cllr Masia TM	271,322	66,362	44,400	382,084
Cllr Mathoma MP	210,737	51,215	44,400	306,352
Cllr Rikhotso GM	216,227	51,215	44,400	311,842
Cllr Thovhakale MS	210,737	51,215	44,400	306,352
Cllr Ngobeni	210,738	51,215	44,400	306,353
Cllr Muavha S	209,898	51,215	44,400	305,513
Cllr Maswanganyi TC	45,246	13,098	38,300	96,644
Cllr Bila TJ	488,493	26,027	44,400	558,920
	<b>18,548,009</b>	<b>4,287,162</b>	<b>3,235,100</b>	<b>26,070,271</b>

#### 2018

Name	Basic salary	Car allowance	Telephone allowance	Total
TJ Bila (Mayor)	795,913	-	45,900	841,813
ME Lebea (Speaker)	509,285	127,346	45,661	682,292
MG Chauke (Chief Whip)	477,549	119,392	45,661	642,602
SG Maluleke	477,549	121,282	45,661	644,492
FP Mashimbye	473,285	121,282	45,900	640,467
TM Mutele	265,157	66,289	45,900	377,346
SX Mavkane	473,285	121,282	48,300	642,867
AJ Mukhaha	266,141	66,604	45,661	378,406
HG Chauke	266,141	66,604	45,661	378,406
MC Fungeni	266,414	66,604	45,661	378,679
DL Baloyi	266,414	66,601	45,661	378,676
MP Mazibuko	260,200	66,601	45,661	372,462
S Shivambu	201,503	50,375	45,661	297,539
D Mabasa	201,503	50,375	45,661	297,539
Cllr Khoza TG	201,503	50,375	45,661	297,539
Cllr Matamel MS	201,503	50,375	45,661	297,539
Cllr Masangu GD	201,503	50,375	45,661	297,539
Cllr Maluleke M	201,503	50,375	45,661	297,539
Cllr Chauke TR	201,503	50,375	45,661	297,539

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#### 34. Related parties (continued)

Cllr Maluleke ET	201,503	50,375	45,661	297,539
Cllr Simango MR	201,503	50,375	45,661	297,539
Cllr Mauleke LR	215,776	50,375	45,661	311,812
Cllr Hlongwani SG	258,594	64,649	45,661	368,904
Cllr Makhubela HT	201,503	50,375	45,661	297,539
Cllr Ndove HD	258,594	64,649	45,661	368,904
Cllr Mudau TS	258,594	64,649	45,661	368,904
Cllr Mabasa KK	201,503	50,375	45,661	297,539
Cllr Ngobeni MR	201,503	50,375	45,661	297,539
Cllr Mabasa J	258,595	64,649	45,661	368,905
Cllr Baloyi HR	201,503	50,375	45,661	297,539
Cllr Rivombo KE	201,503	50,375	45,661	297,539
Cllr Sunduza ZW	201,503	50,375	45,661	297,539
Cllr Chabang TC	201,503	50,375	45,661	297,539
Cllr Khosa HJ	201,503	50,375	45,661	297,539
Cllr Mabunda MC	201,503	50,375	45,661	297,539
Cllr Chauke NS	201,503	50,375	45,661	297,539
Cllr Munyai N	201,503	50,375	45,661	297,539
Cllr Mukhomi VN	201,503	50,375	45,661	297,539
Cllr Maluleke MP	201,503	50,375	45,661	297,539
Cllr Ngobeni NE	201,503	50,375	45,661	297,539
Cllr Mahlale S	201,503	50,375	45,661	297,539
Cllr Moyo MT	258,594	64,649	45,661	368,904
Cllr Mathonsi NP	201,503	50,375	45,661	297,539
Cllr Sambo TM	201,503	50,375	45,661	297,539
Cllr Sithole MW	201,503	50,375	45,661	297,539
Cllr Shanduk MJ	258,594	64,649	45,661	368,904
Cllr Chavani PJ	201,503	50,375	45,661	297,539
Cllr Mashake KE	201,503	50,375	45,661	297,539
Cllr Mulaudzi TN	258,594	64,649	45,661	368,904
Cllr Mudau RP	258,594	64,649	45,661	368,904
Cllr Madavhu FF	201,503	50,375	45,661	297,539
Cllr Ndzovela NG	201,503	64,649	45,661	311,813
Cllr Rekhotse SM	258,594	64,649	45,661	368,904
Cllr Nkuna DT	201,503	50,375	45,661	297,539
Cllr Miyambo ZQ	216,386	50,375	45,661	312,422

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#### 34. Related parties (continued)

Cllr Baloyi MJ	201,503	50,375	45,661	297,539
Cllr Baloyi NL	201,503	50,375	45,661	297,539
Cllr Mhlangu D	258,594	64,649	45,661	368,904
Cllr Mabasa RC	258,808	64,649	45,661	369,118
Cllr Baloyi OC	201,503	50,375	45,661	297,539
Cllr Vukeya TE	200,552	50,137	45,661	296,350
Cllr Chauke HM	201,503	50,375	45,661	297,539
Cllr Machova RG	201,503	50,375	45,661	297,539
Cllr Tshired CE	201,503	50,375	45,661	297,539
Cllr Hlabangwani TL	201,503	50,375	45,661	297,539
Cllr Radzivho CM	201,503	50,375	45,661	297,539
Cllr Masia TM	201,503	50,375	45,661	297,539
Cllr Mathoma MP	201,503	50,375	45,661	297,539
Cllr Rikhotso GM	201,503	50,375	45,661	297,539
Cllr Thovhaka MS	201,503	50,375	45,661	297,539
Cllr Ngobeni NL	201,503	50,375	45,661	297,539
	<b>17,644,981</b>	<b>4,210,841</b>	<b>3,301,780</b>	<b>25,157,603</b>

Refer to the general information for a full list of councillors

# Collins Chabane Local Municipality

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### 35. 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:

**2018:**

#### Statement of financial position and disclosures

##### Receivables from exchange transaction

Receivables from exchange transactions was misstated by R283 882 as at 30 June 2018. The error was corrected in current year by restating the opening balances.

##### Receivables from non-exchange transaction

Receivables from non-exchange transactions was misstated by R5 776 111 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Consumer receivables from exchange transaction

Consumer receivables from exchange transactions was misstated by R2 984 483 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### VAT Receivables

VAT Receivables was misstated by R89 755 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Property plant and equipment

Property, Plant and Equipment, cost and accumulated depreciation was misstated by R1 580 640 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Other financial assets

Other financial assets was misstated by R122 410 519 as at 30 June 2018 due to failure to impair VBS investment. The error was corrected in current year by restating the opening balance

##### Trade and other payables from exchange transactions

Trade and other payables from non-exchange transactions was misstated by R10 773 748 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Finance lease liabilities - Current portion

Finance lease liabilities - current portion was misstated by R215 070 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Finance lease liabilities - Long-term portion

Finance lease liabilities - current portion was misstated by R387 755 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Irregular expenditure

Irregular expenditure was misstated by R51 589 064 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Fruitless and wasteful expenditure

Fruitless and wasteful expenditure was misstated by R20 487 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Commitment disclosure

Commitments disclosure was misstated by R120 939 160 as at 30 June 2018. The error was corrected in current year by restating the opening balance

##### Unauthorised expenditure

Unauthorised expenditure disclosure was misstated by R143 844 450 as at 30 June 2018. The error was corrected in current

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### 35. Prior-year adjustments (continued)

year by restating the opening balance

2018:

#### Statement of financial performance

##### Services Revenue

Service revenue was misstated by R672 897 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

##### Interest Income

Interest income was understated by R3 200 000 and expenditure understated as at 30 June 2018. The error was corrected in the current year by restating the opening balances

##### Property rate revenue

Property rates revenue was misstated by R16 285 191 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

##### Gain on assets

Gain on assets was misstated by R17 681 517 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

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### 35. Prior-year adjustments (continued)

#### Employee related cost

Employee related cost was misstated by R275 235 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### Remuneration of Councillors

Remuneration of Councillors was misstated by R51 008 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### Bad debts

Bad debts impairment was misstated by R141 365 382 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### Depreciations and amortisation

Depreciation and amortisation was misstated by R481 629 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### Contracted Services

Contracted services was misstated by R1 070 549 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### General Expenses

General expenses was misstated by R102 902 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

#### Gain from transfer of functions

Gain from transfer of functions was misstated by R1 826 214 as at 30 June 2018. The error was corrected in the current year by restating the opening balances

### 2017:

#### Inventory

Inventory was misstated by R13 related to land inventory as at 30 June 2017. The error was corrected in 2018 financial year by restating the opening balance

#### Sundry receivables

Sundry receivables was misstated by R5 926 991 as at 30 June 2017. The error was corrected in 2018 financial year by restating the opening balance

#### Property, Plant and equipment

Property, plant and equipment was misstated by R35 861 187 as at 30 June 2017. The error was corrected in 2018 financial year by restating the opening balance

#### Trade and other payables from exchange

Trade and other payables from non-exchange transactions was misstated by R684 217 as at 30 June 2017. The error was corrected in 2018 financial year by restating the opening balance

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### 35. Prior-year adjustments (continued)

#### Statement of financial position

##### 2017

	As previously reported	Correction of error	Restated
Inventories	737,959	13	737,972
Sundry receivables	6,442,113	(5,926,991)	515,122
Property Plant and Equipments	372,704,361	(35,861,187)	336,843,174
Trade and other payables	(10,813,052)	(684,217)	(11,497,269)
Accumulated Surplus	(532,448,830)	42,472,382	(489,976,434)
	<b>(163,377,449)</b>	<b>-</b>	<b>(163,377,435)</b>

##### 2018

	As previously reported	Correction of error	Re-classification	Restated
Receivable from exchange transactions	-	382,882	10,085,316	10,468,198
Receivables from non exchange transactions	6,843,376	5,776,111	(2,402,998)	10,216,489
Consumer debtors from exchange transaction	4,367,761	(2,984,483)	(1,312,634)	70,644
VAT Receivables	4,503,179	(89,755)	(1,569,834)	2,843,590
Other receivables	580,402	-	(580,402)	-
Property Plant and Equipment	458,478,694	1,580,640	898,651	460,957,985
Other financial assets	122,410,521	(122,410,519)	-	2
Trade and other payables from exchange transaction	(29,877,511)	10,773,748	(5,916,365)	(25,020,128)
Current portion of finance lease liabilities	(537,979)	(215,070)	-	(753,049)
Finance lease liabilities - long term	-	(387,755)	-	(387,756)
Accumulated surplus (SCE)	(791,150,356)	107,574,201	798,267	(682,777,888)
	-	-	-	-

#### Statement of financial performance

##### 2018

	As previously reported	Correction of error	Re-classification	Restated
Service charges	4,402,841	(672,897)	(1,354,248)	2,375,697
Rendering of services	5,741,826	-	(3,424,978)	2,316,848
Interest Income	7,256,102	-	8,452,034	15,708,136
Rental facilities and equipment	43,536	-	15,765	59,301
Other revenue	472,807	-	(472,807)	-
Property rates	15,931,110	16,285,191	-	32,216,300
Gain on assets	-	17,681,517	-	17,681,517
Employee related costs	(60,905,689)	275,235	(414,701)	(61,045,155)
Remuneration of councillors	(25,157,603)	51,008	-	(25,106,595)
Bad debts	(9,933,573)	(141,365,382)	-	(151,298,955)
Depreciation and amortisation	(15,204,534)	(481,629)	859,129	(14,827,034)
Contracted services	(28,789,961)	(1,070,549)	-	(29,860,510)
General expenditure	(34,944,096)	(102,909)	(3,076,984)	(38,123,989)
Gain on transfer of functions	8,172,494	1,826,214	-	9,998,708
<b>Surplus for the year</b>	<b>-</b>	<b>(107,574,201)</b>	<b>-</b>	<b>-</b>

### 36. Comparative figures

Item in the annual financial statements are presented with their corresponding comparative figures for the previous financial year period.

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### 37. Risk management

#### Financial risk management

##### Interest rate risk

The municipality has no significant interest-bearing assets and as a result thereof the municipality's income and operating cashflows are substantially independent of changes in market interest rate.

##### Liquidity risk

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

##### Credit risk

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

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

<b>Maximum credit exposure</b>	<b>2019</b>	<b>2018</b>
Other receivables from exchange transactions	8,499,679	10,468,198
Receivables from non-exchange transactions	23,754,699	10,216,489
Consumer debtors from exchange transactions	1,487,355	70,644
Cash and cash equivalents	330,956,279	248,119,468
	<b>364,698,012</b>	<b>268,874,799</b>

##### Credit risk

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

	2019	2018
Financial instrument		
Finance lease obligation	387,756	1,140,805
Payable from exchange transaction	61,776,308	25,020,128
Employee benefits	8,977,788	6,828,118

### 38. Going concern

We draw attention to the fact that at June 30, 2019, the municipality had accumulated surplus of R 915,564,996 and that the municipality's total assets exceed its liabilities by R 915,564,996.

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.

### 39. Events after the reporting date

#### Adjusting event

On 30 August 2019 the council approved the write off of Two (2) vehicles which were taken back to Makhado Local Municipality in previous year. The Council also approved the disposal of assets not found or in bad condition, these assets were properly accounted for at year end.

#### Non- adjusting event

The municipality lodged a claim for the investment in VBS with the master office and the liquidators for the recovery of the investment amount. Subsequent to year end the claim was approved under claim number N0016. the amount approved cannot be quantified.



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### 40. Unauthorised expenditure

Opening balance	143,844,450	-
Add: incurred in current year	10,368,863	143,844,450
	<b>154,213,313</b>	<b>143,844,450</b>

Unauthorised expenditure of R154 213 313 2018: R143 844 450 was caused by loss on VBS investment, transfer of electrification projects to Eskom, depreciation and impairment of property, plant and equipment.

### 41. Fruitless and wasteful expenditure

Opening balance	740,286	1,125,367
Add: current year	1,163,285	203,098
Recovered	(590,507)	(588,179)
Written-off	(498,766)	-
	<b>814,298</b>	<b>740,286</b>

The fruitless expenditure incurred was investigated and the Council on a meeting held on 31 May 2019 approves for the write-off amounting to R498 766 (Council Resolution no. A04/31/05/2019). Controls are put in place to mitigate the incurrence of expenditure in future.

The fruitless expenditure was due to the overpayment of supplier, Telkom, Eskom and SARS interest and penalties charged to the municipality.

The amount recovered consist of the repayment of amounts owed by the Councillors on the usage of cellphone and data on overpayment of cellphone allowances.

### 42. Irregular expenditure

Opening balance	104,944,111	7,926,426
Add: Irregular Expenditure - current year	53,329,694	45,428,621
Less: Written-off	(29,127,821)	-
Add: Irregular expenditure - Incurred prior year Adjustment	-	51,589,064
	<b>129,145,984</b>	<b>104,944,111</b>

The above amount was incurred as a result of not following the proper tender and quotation processes and procedures.

The matters above have been submitted to council for investigation and the council approved for a write-off of Irregular expenditure amounting to R29 127 821 on a meeting held on 31 May 2019 (Council Resolution no. A04/31/05/2019).

### 43. Additional disclosure in terms of Municipal Finance Management Act

#### VAT

VAT receivable	11,848,968	2,843,590
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### 43. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

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

June 30, 2019	Outstanding more than 90 days R		Total R
Cllr Chauke MG	13,305	-	13,305
Cllr FP Mashimbye	12,497	-	12,497
Cllr Fungeni	6,256	-	6,256
Cllr Baloyi DL	3,803	-	3,803
Cllr Mabasa D	11,689	-	11,689
Cllr Munyai N	5,063	-	5,063
	<b>52,613</b>	<b>-</b>	<b>52,613</b>

### 44. 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. Total deviation for current year was R3 150 032 2018: R3 879 544

### 45. Budget differences

#### Material differences between budget and actual amounts

The municipality explains all excess of actual expenditure over the final budget of 10% over approved budget.

#### A. Explanation of variances for statement of financial position

##### Assets

**Inventory** - variance is caused by an increase in the inventory usage in relation to the increase in employees

**Other receivables from exchange transaction** - decrease due to impairment of debtors

**Receivables from non exchange transaction** - The variance was due to impairment assessment of receivables.

**Property Plant and equipment** - The budget was due to increase in estimation for capital projects. There was a delay in finalisation of other projects.

**Intangible assets** - Less than budgeted intangible assets were acquired during the year under review

**Investment Property** - Variance was caused by fair valuation of investment properties at year end

**Consumer debtors** - The variance was as a result of low collection rate and high debt impairment

**VAT Receivables** - line budget was not budgeted for

##### Current Liabilities

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### 45. Budget differences (continued)

**Payable from exchange transactions** - The variance was due to high amount of accrued invoices at year end and the growth of the municipality.

**Finance lease liabilities** - line item not budgeted for

**Long term liabilities** - increase in the number of employees due to new appointments

### B. Explanation of variances for statement of financial performance

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### 45. Budget differences (continued)

#### Revenue:

**Property rates** - The variance was due to improved controls over billing of customers.

**Interest income** - variance was caused by increase in the bank balance during the year

**Rental income** - Less rental of municipal facilities by communities than expected

**Licence and permits** - There was anticipation that the upgrade of testing station will be completed and in use during the year and there was delay

**Other revenue** - This depends on the needs of the community in relation to other services provided

**Gain on assets** - Variance was due to fair valuation of investment properties performed at year end

**Traffic fines** - Traffic fines were only implemented during the year

**Depreciation and amortisation** - The variance was caused by an increase in capital projects completed and capitalised during the year

**Repairs and maintenance** - Savings was achieved as a number of municipality plant were new and in good condition

**Debt impairment** - Improved impairment methodology was used

**Finance cost** - This related to finance lease liability and it was not budgeted for

**General expenditure** - The variance was linked to the growth of the municipality in line with new appointments and implementation of projects

### C. Explanation of variances for Cash Flow Statements

**Property rates** - Variance was due to improved controls for billing

**Service charges** - The variance was due to improved controls on billing

**Other receipts** - this is affected by demand of other goods and services provided

**Employee costs** - savings due to delay in appointments of vacant positions

**Suppliers and other payments** - Variance was due to growth of the municipality size and spending

**Purchase of Property plant and equipment** - Delay on implementation of some projects

**Proceeds from sale of investment property** - There was no sale of investment properties during the year

**Movement of finance lease** - Not budget was provided on cash flow statements. improvements to be made