



BUSHBUCKRIDGE LOCAL MUNICIPALITY

**ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

General Information

LEGAL FORM OF ENTITY

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act 108 of 1996)

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Provision of municipal services in terms of the Municipal Systems Act No.32 of 2000 (MSA) and Municipal Finance Management Act No.56 of 2003 (MFMA)

MEMBERS OF COUNCIL

Executive Mayor	Cllr Nxumalo CS
Speaker	Cllr Raganya BR
Chief Whip	Cllr Makaringe TM (Resigned on 20 May 2019)
Member of Mayoral Committee	Cllr Selowe PT
Member of Mayoral Committee	Cllr Mathebula S
Member of Mayoral Committee	Cllr Malandule BW
Member of Mayoral Committee	Cllr Malomane LM
Member of Mayoral Committee	Cllr Sithole L
Member of Mayoral Committee	Cllr Mokoena BR
Member of Mayoral Committee	Cllr Nkuna BK
Service Delivery Committee Chairperson	Cllr Malebe LR
Municipal Public Accounts Committee Chairperson	Cllr Mapiyeye AM
Councillors	Cllr Chadi SM
	Cllr Chiloane LB
	Cllr Dube KI
	Cllr Gubayi P
	Cllr Gumede MP
	Cllr Kgoedi A
	Cllr Khoza LE
	Cllr Lekhuleni ML
	Cllr Leshaba P
	Cllr Maatsie-Mlambo VT
	Cllr Mageza K
	Cllr Makhubela SO
	Cllr Malahle C
	Cllr Malele E
	Cllr Malibe TD
	Cllr Malomane SC
	Cllr Mashava IS
	Cllr Mashego D
	Cllr Mashile ET
	Cllr Mashiloane SM
	Cllr Mathebula AM
	Cllr Mathebula G
	Cllr Mathebula M
	Cllr Mathebula O
	Cllr Matjia HR
	Cllr Mbhandze F
	Cllr Mdluli DV
	Cllr Mgwenya MJ
	Cllr Mhaule LS
	Cllr Mhlaba RS

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General Information

Cllr Mkansi WM
Cllr Mnene F
Cllr Mnisi ML
Cllr Mohlabane MM
Cllr Mokoena PD
Cllr Mokoena SD
Cllr Mokome MP
Cllr Moropane BD
Cllr Mthisi CR
Cllr Mthombeni LI
Cllr Mzimba VN
Cllr Ndhlovu L
Cllr Ndlovu ML
Cllr Ngomane TW
Cllr Nkope SM
Cllr Nkuna LM
Cllr Nkuna SS
Cllr Nonyane DC
Cllr Nxumalo TA
Cllr Nyundu EM
Cllr Phelephe MS
Cllr Philane KP
Cllr Qhibi R
Cllr Sambo GL
Cllr Sedibe RT
Cllr Seerane KA
Cllr Shilane MP
Cllr Sihlabela HE
Cllr Siwela PF
Cllr Thabane NP
Cllr Thobakgale HP
Cllr Tivane NW
Cllr Zitha RS

ACCOUNTING OFFICER

Mrs. CA Nkuna

CHIEF FINANCIAL OFFICER (CFO)

Mr. MB Matlala
Acting Chief Financial Officer

REGISTERED OFFICE

R533 Graskop Road
Bushbuckridge
1280

POSTAL ADDRESS

Private Bag X9308
Bushbuckridge
1280

BANKERS

First National Bank Limited
Standard Bank of South Africa Limited

AUDITORS

The Auditor General South Africa (AGSA)

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

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AGSA	Auditor General of South Africa
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
INEP	Intergrated National Electrification Programme
IPSAS	International Public Sector Accounting Standards
mSCOA	Municipal Standard Chart of Accounts
MWIG	Municipal Water Infrastructure Grant
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act (56 Of 2003)
MIG	Municipal Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
VAT	Value Added Tax
WSIG	Water Service Infrastructure Grant

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 6 to 76, which have been prepared on the going concern basis, are approved by the accounting officer on 30 November 2019 on behalf of Council.

Mrs. CA Nkuna
Accounting Officer

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and meets on a regular basis per annum as per its approved terms of reference. During the current year eight meetings were held.

NAME OF MEMBER	NUMBER OF MEETINGS ATTENDED
Mr. Ngobeni J (Chairperson)	8 (Joined 26 January 2017)
Rev. Bhengu FMV CA (SA)	5 (Joined 5 December 2015)- Contract expired
Mr. Keyser AC	8 (Joined 3 December 2015) & Re-appointed January 2019
Mr. Sithole KJ CA (SA)	7 (Joined 26 January 2017)
Dr. Madzivhandila T (PhD)	7 (Joined 1 May 2018)

AUDIT COMMITTEE RESPONSIBILITY

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter and has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of The Auditor General of South Africa, any material deficiencies in the system of internal controls or any deviations there from are disclosed in their Audit Report.

QUALITY OF PERIODIC REPORTS

The audit committee is satisfied with the content and quality of the monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The audit committee has:

- reviewed the annual financial statements and management's response thereto.

INTERNAL AUDIT

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits. The external auditors used internal audit reports for risk identification purposes, movable assets verification and employee verification.

Chairperson of the Audit Committee

Date: _____

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

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

1. REVIEW OF ACTIVITIES

MAIN BUSINESS AND OPERATIONS

The municipality is engaged in the provision of municipal services in terms of the Municipal Systems Act : 32 of 2010 (MSA) and Municipal Finance Management Act 56 of 2003 (MFMA) and operates in South Africa. The net surplus for the year ended 30 June 2019 was R 416,675,515 (2018: surplus R 513,362,514).

2. GOING CONCERN

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 municipality is a going concern based on the following;

- Current assets exceed current liabilities
- Under DORA Act (Division of Revenue Bill - published in Government Gazette No.40610 of 10 February 2017) the municipality has been allocated funds for three years 2018/19 to 2020/21.
- There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation.
- In addition, the municipality collects revenue for services rendered and this will augment cashflows in subsequent years.

3. SUBSEQUENT EVENTS

The municipality took over the bulk water supply function from Rand Water with effect from 1st of July 2019.

4. ACCOUNTING OFFICER'S INTEREST IN CONTRACTS

The Accounting Officer declared her interest in terms of the Supply Chain Management Regulations.

5. ACCOUNTING POLICIES

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

6. ACCOUNTING OFFICER

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

Name	Nationality	Changes
Mrs. CA Nkuna	South African	Appointed 1 July 2018

7. CORPORATE GOVERNANCE

GENERAL

The accounting officer is committed to business integrity, transparency and professionalism in all activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Governance Practices and Conduct ("the Code") laid out in the King IV Report. The accounting officer discusses the responsibilities of management in this respect, at management meetings and monitors the municipality's compliance with the code on a regular basis.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

INTERNAL AUDIT

The municipality has its own internal audit function. This is in compliance with the Municipal Finance Management Act, 56 of 2003.

8. BANKERS

The municipality's bankers did not change during the year under review. First National Bank Limited is the primary banker of the municipality.

9. AUDITORS

The Auditor General South Africa (AGSA) will continue to audit the financial affairs of the municipality.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	3,823,938	2,801,098
Receivables from non-exchange transactions	4	490,102,102	485,118,485
VAT receivable	5	81,274,242	80,350,213
Receivables from exchange transactions	6	426,454,755	286,617,267
Cash and cash equivalents	7	93,080,478	109,665,957
		1,094,735,515	964,553,020
Non-Current Assets			
Investment property	8	8,254,667	9,159,315
Property, plant and equipment	9	3,692,981,827	3,348,916,914
Intangible assets	10	795,697	632,048
		3,702,032,191	3,358,708,277
Total Assets		4,796,767,706	4,323,261,297
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	517,378,718	475,637,974
Consumer deposits	12	2,477,123	2,454,242
Unspent conditional grants and receipts	13	-	330,595
Provisions	14	101,932,257	83,462,011
		621,788,098	561,884,822
Non-Current Liabilities			
Provisions	14	25,789,616	28,862,000
Total Liabilities		647,577,714	590,746,822
Net Assets		4,149,189,992	3,732,514,475
Accumulated surplus		4,149,189,992	3,732,514,475

* See Note 46

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance for the year ending 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	15	41,576,584	37,581,277
Rental of facilities and equipment	16	974,580	812,273
Agency income	17	12,031,930	11,646,581
Licences and permits	18	731,829	620,723
Operating income	19	5,265,441	4,957,588
Interest earned	20	144,387,122	120,398,017
Gain on disposal of assets		-	167,390
Actuarial gains		1,092,669	-
Total revenue from exchange transactions		206,060,155	176,183,849
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	21	199,432,596	185,624,245
Transfer revenue			
Transfers and subsidies	22	1,216,772,875	1,207,193,951
Public contributions and donations	23	8,031,563	18,427,013
Fines and penalties	24	354,190	47,522,067
Total revenue from non-exchange transactions		1,424,591,224	1,458,767,276
Total revenue		1,630,651,379	1,634,951,125
Expenditure			
Employee related costs	25	(451,379,931)	(405,819,013)
Remuneration of councillors	26	(28,924,180)	(28,082,881)
Depreciation and amortisation	27	(114,365,405)	(94,636,512)
Reversal of impairments/Impairment loss	28	(6,253,265)	(7,944,908)
Finance costs	29	(20,798,108)	(21,409,016)
Debt impairment	30	(100,528,704)	(161,014,044)
Bulk purchases	31	(219,449,830)	(196,493,342)
Contracted services	32	(146,832,970)	(114,093,748)
Transfers and subsidies	33	(18,177,708)	(16,272,073)
Actuarial losses		-	(631,773)
General expenses	34	(107,265,763)	(75,191,301)
Total expenditure		(1,213,975,864)	(1,121,588,611)
Surplus for the year		416,675,515	513,362,514

* See Note 46

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets as at 30 June 2019

Figures in Rand	Accumulated surplus	Total net assets
Balance as previously reported at 01 July 2017	3,290,010,411	3,290,010,411
Surplus for the year	513,362,514	513,362,514
Correction of errors (See Note 46)	(70,858,450)	(70,858,450)
Total changes	<u>442,504,064</u>	<u>442,504,064</u>
Restated balance at 01 July 2018	3,732,514,477	3,732,514,477
Net income (losses) recognised directly in net assets		
Surplus for the year	<u>416,675,515</u>	<u>416,675,515</u>
Surplus for the year	<u>416,675,515</u>	<u>416,675,515</u>
Total changes	<u>416,675,515</u>	<u>416,675,515</u>
Balance at 30 June 2019	<u>4,149,189,992</u>	<u>4,149,189,992</u>

* See Note 46

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement for the period ending 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		196,859,655	159,764,298
Grants		1,216,772,875	1,193,386,000
Interest earned		13,936,338	13,457,755
		<u>1,427,568,868</u>	<u>1,366,608,053</u>
Payments			
Employee costs		(473,930,981)	(433,902,113)
Suppliers		(507,209,874)	(461,579,091)
Finance costs		(465,413)	(54,109)
		<u>(981,606,268)</u>	<u>(895,535,313)</u>
Net cash flows from operating activities	37	<u>445,962,600</u>	<u>471,072,740</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(462,037,079)	(460,984,717)
Proceeds from sale of assets	9	-	1,238,517
Purchase of intangible assets	10	(511,000)	-
Net cash flows from investing activities		<u>(462,548,079)</u>	<u>(459,746,200)</u>
Net increase in cash and cash equivalents		<u>(16,585,479)</u>	<u>11,326,540</u>
Cash and cash equivalents at the beginning of the year		109,665,957	98,339,417
Cash and cash equivalents at the end of the year	7	<u>93,080,478</u>	<u>109,665,957</u>

* See Note 46

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual for the year ending 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	77,165,000	-	77,165,000	41,576,584	(35,588,416)	1
Rental of facilities and equipment	2,237,000	-	2,237,000	974,580	(1,262,420)	2
Agency income	11,500,000	-	11,500,000	12,031,930	531,930	3
Licences and permits	17,976,000	-	17,976,000	731,829	(17,244,171)	4
Operating income	7,457,000	-	7,457,000	5,265,441	(2,191,559)	5
Interest earned	137,411,000	90,500,000	227,911,000	144,387,122	(83,523,878)	6
Total revenue from exchange transactions	253,746,000	90,500,000	344,246,000	204,967,486	(139,278,514)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	210,292,000	-	210,292,000	199,432,596	(10,859,404)	
Transfer revenue						
Transfers and subsidies	1,214,886,000	23,000,000	1,237,886,000	1,216,772,875	(21,113,125)	
Public contributions and donations	-	-	-	8,031,563	8,031,563	7
Fines and penalties	15,010,000	-	15,010,000	354,190	(14,655,810)	8
Total revenue from non-exchange transactions	1,440,188,000	23,000,000	1,463,188,000	1,424,591,224	(38,596,776)	
Total revenue	1,693,934,000	113,500,000	1,807,434,000	1,629,558,710	(177,875,290)	
Expenditure						
Employee related costs	(457,849,000)	(31,227,000)	(489,076,000)	(451,379,931)	37,696,069	9
Remuneration of councillors	(29,501,000)	(1,000,000)	(30,501,000)	(28,924,180)	1,576,820	
Depreciation and amortisation	(59,333,000)	(50,808,000)	(110,141,000)	(114,365,405)	(4,224,405)	
Impairment loss/ reversal of impairments	-	-	-	(6,253,265)	(6,253,265)	10
Finance costs	-	(21,908,000)	(21,908,000)	(20,798,108)	1,109,892	
Debts impairment	(17,055,000)	(117,347,000)	(134,402,000)	(100,528,704)	33,873,296	
Bulk purchases	(228,000,000)	19,500,000	(208,500,000)	(219,449,830)	(10,949,830)	
Contracted services	(54,602,000)	(101,214,000)	(155,816,000)	(146,832,970)	8,983,030	11
Transfer and subsidies	(11,093,000)	(12,202,000)	(23,295,000)	(18,177,708)	5,117,292	
General expenses	(276,906,000)	189,330,000	(87,576,000)	(107,265,763)	(19,689,763)	12
Total expenditure	(1,134,339,000)	(126,876,000)	(1,261,215,000)	(1,213,975,864)	47,239,136	
Operating surplus	559,595,000	(13,376,000)	546,219,000	415,582,846	(130,636,154)	
Actuarial gains/losses	-	-	-	1,092,669	1,092,669	
Surplus before taxation	559,595,000	(13,376,000)	546,219,000	416,675,515	(129,543,485)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	559,595,000	(13,376,000)	546,219,000	416,675,515	(129,543,485)	

Statement of Financial Position

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual for the year ending 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Assets						
Current Assets						
Inventories	4,223,000	-	4,223,000	3,823,938	(399,062)	
Receivables from non-exchange transactions	628,424,000	-	628,424,000	490,102,102	(138,321,898)	13
VAT receivable	-	-	-	81,274,242	81,274,242	14
Receivables from exchange transactions	856,971,000	-	856,971,000	426,454,755	(430,516,245)	15
Cash and cash equivalents	90,950,000	-	90,950,000	93,080,478	2,130,478	
	1,580,568,000	-	1,580,568,000	1,094,735,515	(485,832,485)	
Non-Current Assets						
Investment property	-	-	-	8,254,667	8,254,667	16
Property, plant and equipment	3,343,494,000	-	3,343,494,000	3,692,981,827	349,487,827	17
Intangible assets	1,379,000	-	1,379,000	795,697	(583,303)	18
	3,344,873,000	-	3,344,873,000	3,702,032,191	357,159,191	
Total Assets	4,925,441,000	-	4,925,441,000	4,796,767,706	(128,673,294)	
Liabilities						
Current Liabilities						
Payables from exchange transactions	425,711,000	-	425,711,000	517,378,717	91,667,717	19
Consumer deposits	-	-	-	2,477,123	2,477,123	20
Provisions	-	-	-	101,932,257	101,932,257	21
	425,711,000	-	425,711,000	621,788,097	196,077,097	
Non-Current Liabilities						
Provisions	148,134,000	-	148,134,000	25,789,616	(122,344,384)	21
Total Liabilities	573,845,000	-	573,845,000	647,577,713	73,732,713	
Net Assets	4,351,596,000	-	4,351,596,000	4,149,189,993	(202,406,007)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	4,351,596,000	-	4,351,596,000	4,149,189,993	(202,406,007)	

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual for the year ending 30 June 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Receipts	479,048,000	-	479,048,000	210,795,993	(268,252,007)	22
Grants	1,214,886,000	-	1,214,886,000	1,216,772,875	1,886,875	
	1,693,934,000	-	1,693,934,000	1,427,568,868	(266,365,132)	
Payments						
Suppliers and employee costs	(1,046,858,000)	-	(1,046,858,000)	(981,606,268)	65,251,732	
Transfers and subsidies	(11,093,000)	-	(11,093,000)	-	11,093,000	
	(1,057,951,000)	-	(1,057,951,000)	(981,606,268)	76,344,732	
Net cash flows from operating activities	635,983,000	-	635,983,000	445,962,600	(190,020,400)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(559,596,000)	-	(559,596,000)	(462,548,079)	97,047,921	
Net increase/(decrease) in cash and cash equivalents	76,387,000	-	76,387,000	(16,585,479)	(92,972,479)	
Cash and cash equivalents at the beginning of the year	135,487,000	-	135,487,000	109,665,957	(25,821,043)	
Cash and cash equivalents at the end of the year	211,874,000	-	211,874,000	93,080,478	(118,793,522)	

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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1. Service charges: the variance is the result of reduction in water consumption, non-replacement of number of faulty meters and slow formalisation of townships.
2. Rental of facilities and equipment: the municipality had anticipated to hire out its facilities to the community based on prior year collection on this regard, there the variance is as a result of non-bookings of the rental properties by the community.
3. Agency services: the municipality in the current year have increased its collection and this led to it being commissioned more than the budgeted commission. The variance is less than 10%.
4. License and permits: the municipality had anticipated to receive more application for business licencing and permits in the current year but the economic dynamics had an impact hence lower number of applications were received that resulted in low revenue collection in this regard .
5. Other income: the municipality had anticipated to collect more on the proof of residence and other revenue sources .
6. Interest earned: the variance is the combined result of the municipality having a positive balance and the implemented Revenue Enhancement Strategy and number of customers that participated on the incentives.
7. Public contributions and donations: the variance is the result of donations received .
8. Fines and penalties: the variances is the result of non- performance of the appointed service provider for camera tickets. The contract was subsequently terminated .
9. Employee related costs: the variance is as a result of correction of salary scales for employees as a result of the Bargaining Council Award .
10. Impairment loss: the variance is as result of repairing and refurbishment of a number of boreholes .
11. Contracted Services: the variance is less than 10% .
12. General expenses: the variance is the combined result of several expenditure types within the category .
- 13.. Receivable from non-exchange: the variance is the result of implementation of revenue enhancement strategies .
14. VAT receivable: the variance is the result of VAT claimed from SARS.
15. Receivables from exchange transaction: the variance is the result of implementation of revenue enhancement strategies .
16. Investment property – the investment property was budgeted under property plant and equipment hence the nil budget .
17. Property, plant and equipment: - the variance is the combined result of number of completed assets transferred to PPE and additional assets .
18. Intangible assets: the municipality had anticipated to buy more software for mSCOA implementation which was not the case during the year because the current solutions used were adequate.
19. Payables from exchange transactions: the variance is a combined result of several expenditure in the various categories. The municipality anticipated to pay all creditors and third parties by the end of the financial year.
20. Consumer deposits: during the budget phase, these were included in payables from exchange transactions.
21. Provisions: the variances is a combined result of several categories, the employees resigning, more leave days taken, change in actuarial rates for landfill sites .
22. Receipts: the collection drive by the municipality yielded positive results though not as anticipated.

MANAGEMENT BASIS FOR VARIANCE EXPLANATIONS

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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1. Management comments on variances in excess of 10% or where it deems fit and appropriate to do so, an explanation is provided.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

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.

Management has used assessments and estimates in preparing for the annual financial statements- these are based on the best information available at the time of preparation.

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and estimates

In the process of applying the municipality's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognised prospectively:

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.4 Significant judgements and estimates (continued)

Impairment of trade and other receivables

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

The calculation in respect of the impairment of debtors is based on assessment of the extent to which debtors have defaulted on payments already due to uncertainty surrounding the recoverability of the outstanding amount. This was performed per debtor.

The impairment of trade receivables is calculated based on the grading of individual debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding amount. Debtors are graded on the following basis:

Grade A: No provision. Customer payments are up to date. There is no balance in arrears.

Grade B: 100% of balance outstanding in excess of 90 days: Customers with a payment history but with balances outstanding in excess of 90 days. The balance outstanding in excess of 90 days is provided for in full.

Grade C: 100% of total balance outstanding on account. Customers with no payment history. Accounts are considered to be delinquent. The balance is provided for in full (100% of the amount outstanding).

Government debtors are excluded from provision calculation as they generally have a history of meeting their obligations.

Allowance for slow moving, damaged and obsolete inventories

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

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

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

The carrying amount of available-for-sale financial assets would be an estimated R - lower or R - higher were the discounted rate used in the discount cash flow analysis to differ by 10% from management's estimates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.4 Significant judgements and estimates (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Provisions

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

Useful lives of waste water and water network assets and other assets

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgement. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.5 Investment property

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

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

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

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

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.5 Investment property (continued)

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

Cost model

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

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

Property - land	indefinite
Property - buildings	3-41 years

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Assets under construction are carried at cost. .

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

Item	Depreciation method	Average useful life
Land	Straight line	Infinite
Community	Straight line	3-82 years
Buildings	Straight line	3-41 years
Infrastructure	Straight line	2-100 years
Motor vehicles	Straight line	3-10 years
Computer equipment	Straight line	2-10 years
Furniture and office equipment	Straight line	1-12 years

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Annual Financial Statements for the year ended 30 June 2019

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1.6 Property, plant and equipment (continued)

Other property and equipment	Straight line	1-20 years
Temporary operational buildings	Straight line	5-60 years
Library books	Straight line	3 years

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

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

The 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.

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

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

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

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

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

Significant delays in assets under construction

The municipality regards delays in assets under construction of more than three years as significant.

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

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1.7 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.8 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.

An intangible asset is recognised when:

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

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

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.

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

Item	Useful life
Computer software	4 years

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

1.9 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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.9 Financial instruments (continued)

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

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1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

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

Financial liabilities

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

The difference between the carrying amount of a financial liability and the consideration paid is recognised in surplus or deficit.

Presentation

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash that are held with registered banking institutions and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Trade payables

Trade payables are measured at fair value.

Liabilities for annual leave (accrued leave) and annual bonus are recognised as they accrue to employees. Accrual is based on potential liability to the municipality.

Receivables

Receivables are measured at fair value.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. 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.

Amounts receivable within 12 months from date of reporting are classified as current.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

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1.10 Leases

Operating leases - lessor

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

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

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

Operating leases - lessee

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

1.11 Inventories

Inventories consist of raw materials, water and consumables.

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

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

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

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

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

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

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

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

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.

1.12 Impairment of cash-generating assets

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

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

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

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

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

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1.12 Impairment of cash-generating assets (continued)

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Useful life is either:

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

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

1. The objective of using the asset
2. The intended use of the assets

Designation

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

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the entity. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made. An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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1.15 Employee benefits

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

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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

Post-employment benefits

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

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

Post-employment benefits: defined contribution plans

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

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

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

The municipality does not have any post employment benefits.

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1.15 Employee benefits (continued)

Other post retirement obligations

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

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficit.

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities, as set out in notes . Contingencies are disclosed in note 39.

- the amounts are determined using the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

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1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.17 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash. Commitments represent goods/services that have been ordered, but no delivery has taken place at the reporting date.

Approved and contracted commitments represent expenditure that has been approved and the contract awarded at the reporting date.

Approved and not yet contracted commitments represent the expenditure that has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.

Commitments are disclosed in the financial statements if they meet the following criteria;

- the underlying contracts are non-cancellable or only cancellable at significant cost; and
- contracts relate to non- routine transactions.

Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance but are shown in the disclosure notes to the extent that such amounts have not been recorded in the financial statements. Commitments disclosed in the notes to the financial statements represent the aggregate amount of the capital and current expenditure at the reporting date.

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1.18 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.

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service charges

Water - charges relating to the distribution of water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates on the consumption history are made on a monthly basis when meter readings have not been performed. Approved tariffs are levied on different categories of property on a monthly basis.

Refuse - refuse removal is recognised on a monthly basis by applying the approved tariff to each property receiving services. Tariffs are determined per category of property and levied on a monthly basis.

Sewerage and sanitation - charges are based on the type of service and the number of sewer connections on all developed property using the approved tariffs.

Agency service - income from agency is recognised on a monthly basis once the income collected on behalf of agents is earned. The income is recognised in terms of the agency agreement.

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1.18 Revenue from exchange transactions (continued)

Interest, royalties and dividends

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

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

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

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

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

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

1.19 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.

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

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

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

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

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.19 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Rates, including collection charges and penalties interest

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

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

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

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

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.

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.

Government grants

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.19 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 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.

1.23 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.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.24 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.

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.

1.25 Distribution losses

Distribution losses are calculated as the difference between water consumed and billed, water freely given to the community and water purchased.

1.26 Budget information

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

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

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

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 Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

The variances between budget and actual amounts are regarded as material when there is a variance of 10% or greater in the statement of financial position, the statement of financial performance and the cashflow statement. 17.

Comparative information is not required.

1.27 Related parties

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

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

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

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.28 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.

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.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies for the year ending 30 June 2019

1.29 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets, other than those relating to distributions to owners.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting, expenses are recognised when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. 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.

Expenses include write downs of inventory and decreases in fair values of financial instruments classified as held at fair value. Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.

Major expense items disclosed in the Statement of Financial Performance include;

- **Bulk purchases** – expenditure on the procurement of bulk water.
- **Contracted services** – caters for all the external services and is further categorised into outsourced, consultants, professional services and contractors. Repairs and maintenance is also part of contracted services. *Outsourced services* - the municipality should have capacity to carry out the function but choose to enlist the services of an external service provider. *Consultant & professional services* - refers to specialist services and skills provided. These skills are unnecessary to maintain inhouse and are required on a once off or temporary basis. *Contractors* - provides services that are not the core business of the municipality.
- **Transfers and grants** which relate to expenditure pertaining to free basic services and general expenses constitute several expense items which are not individually significant.
- **Write downs** of inventory and decreases in fair values of financial instruments classified as held at fair value.
- **Losses on the disposal** of non-current assets are reported separately from expenses in the Statement of Financial Performance.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

1.30 Value Added Tax

The municipality accounts for Value Added Tax on a payment basis in accordance with section 15(2)(a) of the VAT Act (Act No 89 of 1991). The municipality is liable to account for VAT at the standard rate (14%) and **(15% from 1 April 2018 as announced by the minister of Finance)** in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The municipality accounts for VAT on a monthly basis.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

2. New standards and interpretations (continued)

• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

3. Inventories

Maintenance materials	3,823,938	2,801,098
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Included in inventories are maintenance materials amounting to R3 377 957.09 and water inventory of R445 980.78 .

4. Receivables from non-exchange transactions

Deposits	4,646,376	4,491,374
Fines	30,755,686	41,982,525
Other taxes	1,078,791	1,078,791
Property rates	443,559,447	437,565,795
Debtors with credit balances	10,061,802	-
	<u>490,102,102</u>	<u>485,118,485</u>

Receivables from non - exchange transactions

None of the receivables from non-exchange transactions were pledged as security during the current or previous financial year.

Deposits

0-365	155,002	2,722,452
>365	4,491,374	1,768,922
	<u>4,646,376</u>	<u>4,491,374</u>

These are Eskom deposits for new connections.

Fines

Gross balances	66,035,133	67,202,504
Provision for impairment	<u>(35,279,447)</u>	<u>(25,219,979)</u>
	<u>30,755,686</u>	<u>41,982,525</u>

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
4. Receivables from non-exchange transactions (continued)		
Property rates		
Gross balances	831,815,095	756,942,672
Provision for impairment	<u>(388,255,648)</u>	<u>(319,376,877)</u>
	<u>443,559,447</u>	<u>437,565,795</u>
Net balances		
Current (0-30 days)	6,268,569	6,802,574
31-60 days	7,135,329	7,743,171
61-90 days	4,383,500	4,756,920
91-120 days	2,910,171	3,158,082
121-365 days	<u>422,861,878</u>	<u>415,105,048</u>
	<u>443,559,447</u>	<u>437,565,795</u>
Reconciliation of provision for impairment of property rates		
Opening balance	319,376,877	310,378,935
Provision for impairment	<u>68,878,771</u>	<u>8,997,942</u>
	<u>388,255,648</u>	<u>319,376,877</u>
5. VAT receivable		
VAT	<u>81,274,242</u>	<u>80,350,213</u>
VAT is receivable/payable on a cash basis.		
6. Receivables from exchange transactions		
Gross balances		
Electricity -Free basic services	10,905,848	10,905,848
Housing rental	2,601,804	2,601,804
Interest	513,879,701	319,232,390
Rental	617,848	1,684,566
Service Charges	10,113,782	6,104,232
Waste	42,691,375	43,587,569
Waste water	26,039,522	32,096,021
Water	<u>184,149,597</u>	<u>214,791,476</u>
	<u>790,999,477</u>	<u>631,003,906</u>
Less: Allowance for impairment		
Housing rental	(1,215,846)	(1,207,405)
Interest	(240,140,513)	(204,745,257)
Rental	(288,726)	(837,611)
Service Charges	(4,726,259)	(2,819,675)
Waste	(19,950,152)	(20,277,692)
Waste water	(12,168,497)	(14,913,052)
Water	<u>(86,054,729)</u>	<u>(99,585,947)</u>
	<u>(364,544,722)</u>	<u>(344,386,639)</u>

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
6. Receivables from exchange transactions (continued)		
Net balances		
Electricity -Free basic services	10,905,848	10,905,848
Housing rental	1,385,958	1,394,399
Interest	273,739,188	114,487,133
Rental	329,122	846,955
Service Charges	5,387,523	3,284,557
Waste	22,741,223	23,309,877
Waste water	13,871,025	17,182,969
Water	98,094,868	115,205,529
	426,454,755	286,617,267
Electricity-Free basic services		
Current (0 -30 days)	-	10,905,848
> 365 days	10,905,848	-
	10,905,848	10,905,848
Water		
Current (0 -30 days)	1,445,945	1,455,903
31 - 60 days	1,381,043	1,390,555
61 - 90 days	1,144,644	1,152,527
91 - 120 days	300,409	302,478
121 - 365 days	93,822,827	110,904,066
	98,094,868	115,205,529
Waste water		
Current (0 -30 days)	132,879	133,545
31 - 60 days	165,386	166,215
61 - 90 days	151,737	152,497
91 - 120 days	203,594	204,615
121 - 365 days	13,217,428	16,526,097
	13,871,024	17,182,969
Waste		
Current (0 -30 days)	241,952	242,902
31 - 60 days	171,701	172,376
61 - 90 days	290,245	291,385
91 - 120 days	190,896	191,646
121 - 365 days	21,846,635	22,411,568
	22,741,429	23,309,877
Rental		
Current (0 -30 days)	37,592	35,481
31 - 60 days	37,521	35,413
61 - 90 days	37,521	35,413
91 - 120 days	37,521	35,413
121 - 365 days	178,968	705,235
	329,123	846,955

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
6. Receivables from exchange transactions (continued)		
Interest		
Current (0 -30 days)	5,237,434	3,526,085
31 - 60 days	5,227,716	3,519,543
61 - 90 days	5,016,575	3,377,392
91 - 120 days	4,740,762	3,191,702
121 - 365 days	253,516,702	100,872,411
	273,739,189	114,487,133
Housing rental		
> 365 days	1,385,958	1,394,399
Service charges		
Current (0 -30 days)	(188,952)	(188,411)
31 - 60 days	(43,209)	(43,085)
61 - 90 days	(2,017,075)	(2,011,301)
91 - 120 days	(853,312)	(850,869)
121 - 365 days	8,490,070	6,378,223
	5,387,522	3,284,557

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
6. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Households & others		
Current (0 -30 days)	22,244,283	22,463,918
31 - 60 days	(1,338)	(11,428)
61 - 90 days	10,768,607	10,515,084
91 - 120 days	6,170,938	10,864,344
121 - 365 days	94,091,146	87,071,217
> 365 days	461,768,376	370,150,553
	595,042,012	501,053,688
Industrial/ commercial		
Current (0 -30 days)	7,140,022	5,937,065
31 - 60 days	(166,809)	2,152
61 - 90 days	3,238,269	2,658,755
91 - 120 days	1,281,234	2,691,935
121 - 365 days	25,684,851	11,538,161
> 365 days	118,651,934	109,031,465
	155,829,501	131,859,533
National and provincial government		
Current (0 -30 days)	34,766,610	31,348,231
31 - 60 days	(557,680)	31,659
61 - 90 days	16,311,007	15,171,597
91 - 120 days	(1,049,794)	15,511,604
121 - 365 days	143,820,152	111,543,181
> 365 days	667,746,907	569,791,633
	861,037,202	743,397,905
Total		
Current (0 -30 days)	64,150,916	59,749,214
31 - 60 days	(725,829)	22,384
61 - 90 days	30,317,885	28,345,436
91 - 120 days	6,402,379	29,067,882
121 - 365 days	263,596,149	210,152,559
> 365 days	1,259,073,066	1,048,973,652
	1,622,814,566	1,376,311,127
Receivables pledged as security		
No receivables were pledged as security for any facilities during the current or previous financial year.		
Receivables past due but not impaired		
Government debtors past due were not impaired due to their nature and that they generally meet their obligations.		
Reconciliation of provision for impairment of receivables from exchange transactions		
Opening balance	344,386,639	208,844,122
Allowance for impairment	20,158,085	135,542,517
	364,544,724	344,386,639

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	57,991,280	23,614,872
Call account balances	35,059,575	86,031,863
Cash on hand	29,623	19,222
	93,080,478	109,665,957

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
FNB BANK IA09591	10,187,096	10,570,093	(21,893)	10,187,096	10,570,093	(21,893)
FNB BANK IA09538	1,170,549	7,774,039	2,765,818	1,170,549	7,774,039	2,765,818
FNB BANK IA09494	33,889,026	84,410,358	82,885,609	33,889,026	84,410,358	82,885,609
FNB BANK IA09538	1,676,973	1,621,505	4,170,035	1,676,973	1,621,505	4,170,035
STANDARD BANK IA09518	46,127,210	5,270,740	8,429,516	46,127,210	5,270,740	8,429,216
Total	93,050,854	109,646,735	98,229,085	93,050,854	109,646,735	98,228,785

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand 2019 2018

8. Investment property

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Buildings	13,685,028	(5,430,361)	8,254,667	13,685,028	(4,525,713)	9,159,315

Reconciliation of investment property - 30 June 2019

	Opening balance	Depreciation	Total
Buildings	9,159,315	(904,648)	8,254,667

Reconciliation of investment property - 30 June 2018

	Opening balance	Depreciation	Total
Buildings	10,063,962	(904,647)	9,159,315

Pledged as security

No investment property was pledged as security.

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

9. 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	172,443,983	-	172,443,983	172,443,983	-	172,443,983
Buildings	77,952,547	(30,541,304)	47,411,243	76,812,698	(24,806,743)	52,005,955
Infrastructure	3,524,522,997	(393,469,063)	3,131,053,934	2,947,084,367	(303,416,254)	2,643,668,113
Community	190,603,895	(64,953,297)	125,650,598	190,320,263	(54,911,874)	135,408,389
Other property, plant and equipment	102,293,761	(61,342,373)	40,951,388	98,571,852	(48,334,046)	50,237,806
Work in progress (WIP)	170,884,316	-	170,884,316	295,152,668	-	295,152,668
Other Assets (WIP)	4,962,313	(375,948)	4,586,365	-	-	-
Total	4,243,663,812	(550,681,985)	3,692,981,827	3,780,385,831	(431,468,917)	3,348,916,914

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2019

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	172,443,983	-	-	-	-	172,443,983
Buildings	52,005,955	-	1,139,849	(5,734,561)	-	47,411,243
Infrastructure	2,643,668,113	36,902,223	539,238,576	(82,501,713)	(6,253,265)	3,131,053,934
Community	135,408,389	-	283,632	(10,041,423)	-	125,650,598
Other property, plant and equipment	50,237,806	3,778,838	-	(12,991,008)	(74,248)	40,951,388
Work in progress (WIP)	295,152,668	416,393,705	(540,662,057)	-	-	170,884,316
Other Assets (Books)	-	4,962,313	-	(375,948)	-	4,586,365
	3,348,916,914	462,037,079	-	(111,644,653)	(6,327,513)	3,692,981,827

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 30 June 2018

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	172,443,983	-	-	-	-	172,443,983
Buildings	48,965,827	7,980,971	-	(4,940,843)	-	52,005,955
Infrastructure	1,992,096,816	218,920,413	511,446,002	(71,333,567)	(7,461,551)	2,643,668,113
Community	131,388,033	10,454,142	3,686,545	(10,120,331)	-	135,408,389
Other property, plant and equipment	39,454,734	14,053,014	6,688,629	(8,848,494)	(1,110,077)	50,237,806
Work in progress (WIP)	601,479,248	208,805,966	(515,132,546)	-	-	295,152,668
Other Assets (WIP)	5,918,419	770,211	(6,688,630)	-	-	-
	2,991,747,060	460,984,717	-	(95,243,235)	(8,571,628)	3,348,916,914

Pledged as security

Carrying value of assets pledged as security:

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

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.

10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	5,339,947	(4,544,250)	795,697	4,828,947	(4,196,899)	632,048

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

10. Intangible assets (continued)

Reconciliation of intangible assets -30 June 2019

	Opening balance	Additions	Amortisation	Total
Computer software	632,048	511,000	(347,351)	795,697

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

10. Intangible assets (continued)

Reconciliation of intangible assets - 30 June 2018

	Opening balance	Amortisation	Total
Computer software	891,041	(258,993)	632,048

Pledged as security

None of the intangible assets were pledged as security during the current or previous financial year.

11. Payables from exchange transactions

Trade payables	254,601,061	221,277,520
Retention and Surety	101,147,925	105,942,207
Sundry creditors	86,487,331	111,528,830
Bulk electricity	2,484,734	478,185
Auditor General South Africa	318,783	255,553
Staff advances	526,742	712,161
PAYE	7,883,437	3,928
Salary control	15,305,712	235,947
Accrued bonus	12,408,023	11,253,503
Debtors with credit balances	10,061,802	-
Employee benefit cost	25,939,286	25,939,286
Other payables	213,882	(1,989,146)
	<u>517,378,718</u>	<u>475,637,974</u>

12. Consumer deposits

Water	2,458,367	2,441,123
Refuse	18,756	13,119
	<u>2,477,123</u>	<u>2,454,242</u>

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
13. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Regional Bulk Infrastructure Grant	-	330,595

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

14. Provisions

Reconciliation of provisions - 30 June 2019

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Environmental rehabilitation provision	24,521,992	9,023,816	-	1,107,172	34,652,980
Leave provision	29,696,482	6,373,130	-	-	36,069,612
Long service awards	29,037,000	5,106,917	(5,120,504)	(1,092,669)	27,930,744
Provision for bulk purchases	29,068,537	-	-	-	29,068,537
	112,324,011	20,503,863	(5,120,504)	14,503	127,721,873

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

14. Provisions (continued)

Reconciliation of provisions - 30 June 2018

	Opening Balance	Additions	Total
Environmental rehabilitation provision	23,413,761	-	24,521,992
Leave	25,302,839	4,393,643	29,696,482
Long service awards	25,061,000	3,344,227	29,037,000
Provision for bulk purchases	29,068,537	-	29,068,537
	102,846,137	7,737,870	112,324,011

Non-current liabilities	25,789,616	28,862,000
Current liabilities	101,932,257	83,462,011
	127,721,873	112,324,011

Environmental rehabilitation provision

The municipality has an obligation to rehabilitate the landfill sites in the Bushbuckridge municipal area.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation. It is carried at the amortised cost.

The rehabilitation costs were determined by OnePangea Expertise and Solutions, who are qualified and experienced engineers.

Leave provision

Leave provision consist of an obligation to pay out the annual leave days in the year the employment status of the employee changes due to various reasons. The obligation presents a liability to the employer and the value is represented by the present value of the total number of days the employee would have at termination date that is expected to become payable under the municipality's current policy.

The calculation of the Leave provision is as follow:

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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14. Provisions (continued)

Total Annual Leave days capped at 48 days/250 X Current basic salary X12.

Provision for bulk purchases

The municipality is in dispute with Rand Water on the billing with regards to water supplied. The parties agreed to put on hold the disputed amounts as discussions are still ongoing.

The municipality had to embark on a process of meter readings for the whole year in order to ascertain the accuracy of the amount billed and based on that a provision was made.

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BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand 2019 2018

14. Provisions (continued)

LONG SERVICE AWARDS

Long service awards consist of an obligation to pay out a bonus in the year of the employee attaining the required length of service. The obligation presents a liability to the employer and the value is represented by the present value of the total long service bonus awards expected to become payable under the municipality's current policy.

The municipality offers long service bonuses for every five(5) years of continuous service completed, starting from ten(10) years to forty-five(45) years. Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially settled in cash.

The key assumption used in the valuation;

- Discount rate 8.18% (2018:8.98%)
- CPI 4.43% (2018:5.48%)
- Salary increase rate 5.43% (2018:6.48%)
- Net Discount rate 2.61% (2018:2.35%)
- Mortality SA85-90 (2018:SA85-90)

The actuarial valuation of the long service awards accrued liability was carried out by D.T. Mureriwa, a fellow of the Institute of Actuaries.

The valuation base assume that the salary inflation rate (which manifests itself as the annual increase in employees salaries which determine the bonuses payable will be 2.6% less than corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows:

Salary Increase	1% decrease	1% increase
Employer's accrued liability	26,259,153	29,888,098
Employer's current service cost	2,336,646	2,837,063
Employer's interest cost	2,055,973	2,355,361
	30,651,773	35,080,523

15. Service charges

Water reconnection fees	45,389	45,837
Refuse	7,193,638	6,906,069
Sewerage and sanitation charges	4,035,618	3,906,993
Sale of water	30,301,939	26,722,378
	41,576,584	37,581,277

16. Rental of facilities and equipment

Premises

Premises	874,231	568,254
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Facilities and equipment

Rental of facilities	29,830	141,662
Rental of equipment	70,519	102,357
	100,349	244,019
	974,580	812,273

17. Agency income

Agency income	12,031,930	11,646,581
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The municipality receives the 20% agents income on all funds collected on behalf of the Department of Safety Security and Liason.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
18. Licences and permits		
Licences and permits	731,829	620,723
This represents funds received in relation to business, trading and traffic income licensing.		
19. Operating income		
Administration fee	670,926	112,601
Amendment of names	9,287	1,310
Cemetery	39,223	50,269
Clearance certificates	-	733
Insurance refund	1,035,252	800,253
Library fees	5,670	6,886
Photocopies	68,614	99,638
Plan approval	573,964	933,402
Proof of residence	1,837,100	2,385,397
Sale of tender documents	831,026	431,814
Site inspection	-	37,137
Sundry income	194,379	98,148
	5,265,441	4,957,588
20. Interest earned		
Interest revenue		
Interest earned	13,936,338	13,457,755
Interest charged on trade and other receivables	130,450,784	106,940,262
	144,387,122	120,398,017

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
21. Property rates		
Rates levied		
Residential	23,186,066	21,427,698
Commercial	43,993,877	39,306,954
Vacant Land	3,922,380	3,729,727
Industrial Properties	2,165,631	2,054,573
State Owned Properties	126,870,805	120,438,684
Agricultural, Public Benefit Organisation and Public Service Infrastructure	3,807,390	2,848,049
Less: Income forgone	(4,513,553)	(4,181,440)
	199,432,596	185,624,245
Valuations		
Agriculture	94,845,000	94,845,000
Commercial	629,524,200	629,524,200
Public Benefit Organisations	25,668,000	25,668,000
Public Service Infrastructure	53,500	53,500
Residential	1,918,184,800	1,918,184,800
State	3,257,749,050	3,257,749,050
Vacant land	155,644,600	155,644,600
Municipality	247,263,000	247,263,000
Protected Area	23,335,673,000	23,338,113,000
Protected Area Business	550,665,000	550,665,000
Protected Area Residential	192,890,000	192,890,000
	30,408,160,150	30,410,600,150

Valuations on land and buildings are performed every 4 (four) years. The last general valuation done by Valuers Africa came into effect on 1 July 2014. The municipality through council approved the one year extension as per the MPRA section 32(2). The extension was approved by the MEC for Co-operative governance and traditional affairs in terms of section 32(b) (b)(ii) of the MPRA, 2004 (No. 6 of 2004). Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations. Various rates are used for the different categories which are applied to property valuations to determine assessment rates.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
22. Transfers and subsidies		
Operating grants		
Equitable Share	720,235,595	683,632,000
Financial Management Grant	2,215,000	2,145,000
Local Government Sector Education Training Authority	887,280	312,546
Expanded Public Works Programme Grant	4,447,000	9,355,000
	<u>727,784,875</u>	<u>695,444,546</u>
Capital grants		
Integrated National Electrification Programme	6,000,000	5,000,000
Municipal Infrastructure Grant	365,988,000	394,080,000
Regional Bulk Infrastructure Grant	13,000,000	2,669,405
Water Services Infrastructure Grant	98,000,000	110,000,000
Energy Efficiency Demand Management Grant	6,000,000	-
	<u>488,988,000</u>	<u>511,749,405</u>
	<u>1,216,772,875</u>	<u>1,207,193,951</u>

Conditional and Unconditional

All allocations to the municipality were received from National Treasury and has complied interms of section 214(1)(c) of the constitution.

Equitable share

This grant is used to enable the municipality to provide basic services and perform functions allocated to it.

In terms of Section 227 of the Constitution, the Equitable Share Grant provides funding for the municipality to deliver free basic services to poor households and subsidises the cost of administration and other core services for the municipality.

Municipal Infrastructure Grant (MIG)

Current-year receipts	365,988,000	394,080,000
Conditions met - transferred to revenue	<u>(365,988,000)</u>	<u>(394,080,000)</u>
	<u>-</u>	<u>-</u>

The grant is mainly used to fund infrastructure related projects (mainly as part of services delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Financial Management Grant (FMG)

Current-year receipts	2,215,000	2,145,000
Conditions met - transferred to revenue	<u>(2,215,000)</u>	<u>(2,145,000)</u>
	<u>-</u>	<u>-</u>

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

Expanded Public Works Programme (EPWP)

Current-year receipts	4,447,000	9,355,000
Conditions met - transferred to revenue	<u>(4,447,000)</u>	<u>(9,355,000)</u>
	<u>-</u>	<u>-</u>

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand

	2019	2018
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22. Transfers and subsidies (continued)

The purpose of the grant is to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	330,595	-
Current-year receipts	13,000,000	3,000,000
Conditions met - transferred to revenue	(13,000,000)	(2,669,405)
Unspent returned	(330,595)	-
	<u>-</u>	<u>330,595</u>

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

The purpose of this grant is to construct bulk water line that will enable the municipality to reticulate water in its various areas.

Integrated National Electrification Programme (INEP)

Current-year receipts	6,000,000	5,000,000
Conditions met - transferred to revenue	(6,000,000)	(5,000,000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of occupied residential dwellings, and the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.

Water Services Infrastructure Grant (WSIG)

Current-year receipts	98,000,000	110,000,000
Conditions met - transferred to revenue	(98,000,000)	(110,000,000)
	<u>-</u>	<u>-</u>

The purpose of the grant is to reticulate water in various areas of the municipality .

Energy Efficiency Demand Management Grant (EEDMG)

Current-year receipts	6,000,000	-
Conditions met - transferred to revenue	(6,000,000)	-
	<u>-</u>	<u>-</u>

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

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
23. Public contributions and donations		
Standard bank and First National Bank	55,000	20,000
SanParks	1,500,000	-
Donated assets	6,476,563	18,407,013
	<u>8,031,563</u>	<u>18,427,013</u>

1. The municipality received R35 000 from First National Bank and R20 000 from Standard Bank.
2. SanParks made a contribution of R1 500 000 to the municipality towards water reticulation.
3. The Department of Sports, Arts and Culture donated the library building, library books and computers.
4. Enhlanzeni District Municipality donated towards refurbishment of a package plant.

24. Fines and penalties

Fines, Penalties and Forfeits	<u>354,190</u>	<u>47,522,067</u>
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The figure relates to traffic fines for the current year. The contract of the service provider who provided a traffic solution to the municipality ended. The current year fines were hand written tickets.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
25. Employee related costs		
Basic	291,726,964	268,372,560
Bonus	30,512,094	27,763,466
Medical aid - company contributions	17,339,679	15,476,023
Unemployment insurance fund	2,090,381	2,030,270
Skills development levy	3,744,448	3,317,776
Leave	7,775,167	3,684,952
Pension	56,494,036	52,277,083
Overtime payments	5,607,074	4,155
Long-service awards	2,720,834	1,264,773
Acting allowances	2,879,700	2,058,483
Car allowance	19,645,573	20,478,890
Housing benefits and allowances	409,912	373,516
South African Local Government Association	114,148	110,333
Shift and standby allowance	10,319,921	8,606,733
	451,379,931	405,819,013

Remuneration of Municipal Manager

Annual Remuneration	1,135,126	548,228
Car Allowance	690,881	355,586
Performance Bonuses	59,220	72,093
Contributions to UIF, Medical and Pension Funds	68,381	14,550
Acting allowance	-	107,163
Rural allowance	-	57,778
SDL,SALGA,Leave payout and reimbursement (km)	-	170,615
	1,953,608	1,326,013

Mrs. CA Nkuna was the Municipal Manager for the year under review. She was appointed in July 2018.

Remuneration of Chief Finance Officer

Annual Remuneration	778,239	999,634
Car Allowance	124,904	628,902
Annual Bonus	64,799	78,289
Contributions to UIF, Medical and Pension Funds	190,236	48,237
Performance bonus	15,043	16,374
Acting allowance	483,747	-
	1,656,968	1,771,436

Mr. MB Matlala was the Acting Chief Financial Officer for the year under review.

Remuneration of Director of Technical Services

Annual Remuneration	813,788	787,904
Car Allowance	533,046	496,693
Performance Bonuses	46,713	58,933
Contributions to UIF, Medical and Pension Funds	14,759	1,785
Acting allowance	-	70,775
SDL,SALGA,Leave payout and reimbursement (km)	-	97,377
	1,408,306	1,513,467

Mr. E Mashava was the Director of Technical Services during the year under review.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
25. Employee related costs (continued)		
Remuneration of Director Corporate Services		
Annual Remuneration	813,788	764,202
Car Allowance	494,071	468,504
Performance Bonuses	44,578	58,933
Contributions to UIF, Medical and Pension Funds	45,651	24,765
SDL,SALGA,Leave payout and reimbursement (km)	-	16,450
	1,398,088	1,332,854

Mr R Khoza was the Director Corporate Services during the year under review.

Remuneration of Director Local Economic Development Planning and Environment

Annual Remuneration	745,763	715,472
Car Allowance	488,770	450,085
Annual bonus	31,273	60,135
Contributions to UIF, Medical and Pension Funds	63,023	48,237
Performance bonus	44,578	88,177
SDL,SALGA,Leave payout and reimbursement (km)	-	95,892
	1,373,407	1,457,998

Mrs. SM Mogakane was the Director for Local Economic Development, Planning and Environment for the year under review.

Remuneration of Director Community Services

Annual Remuneration	813,787	767,864
Car Allowance	533,046	496,693
Performance Bonuses	44,578	58,933
Contributions to UIF, Medical and Pension Funds	14,738	1,758
SDL,SALGA,Leave payout and reimbursement (km)	-	14,334
	1,406,149	1,339,582

Dr. LZ Mkhabela was the Director for Community Services Directorate for the year under review.

26. Remuneration of Councillors

Mayor	876,158	829,677
Mayoral committee members	3,883,725	3,168,933
Speaker	713,578	682,821
Councillors	23,450,719	23,401,450
	28,924,180	28,082,881

In-kind benefits

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

The Executive Mayor is provided with a Council owned vehicle for official duties.

The Executive Mayor has two full time bodyguards

The remuneration of councillors and political office-bearers are within the upper limits.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
27. Depreciation and amortisation		
Property, plant and equipment	114,365,405	94,636,512
28. Impairment of assets		
Impairments		
Property, plant and equipment	6,253,265	7,070,945
Intangible assets	-	873,963
	6,253,265	7,944,908
29. Finance costs		
Trade and other payables	17,304,853	16,956,558
Long service awards	2,386,083	3,344,227
Landfill sites	1,107,172	1,108,231
	20,798,108	21,409,016
This relates to interest for late payment of trade and other payables, long service awards and landfill sites.		
30. Debt impairment		
Trade receivables - exchange and non exchange	89,036,856	144,540,458
Traffic fines	11,491,848	16,473,586
	100,528,704	161,014,044
31. Bulk purchases		
Water	219,449,830	196,493,342
32. Contracted Services		
Outsourced Services		
Catering Services	4,114,003	2,436,014
Security Services	39,892,735	35,737,666
Traffic Fines Management	1,230,425	1,983,849
Drivers Licence Cards	150,890	775,252
Consultants and Professional Services		
Business and Advisory	21,449,449	17,723,203
Infrastructure and Planning	22,182,892	18,253,982
Laboratory Services	370,262	630,075
Legal Cost	12,997,772	8,982,449
Contractors		
Maintenance of Buildings and Facilities	2,561,837	294,232
Maintenance of Equipment	3,834,089	3,429,798
Maintenance of Infrastructure Assets	25,272,721	16,436,585
Municipal services	12,775,895	7,410,643
	146,832,970	114,093,748
33. Transfers and subsidies		
Other subsidies		
Indigent relief	18,177,708	16,272,073

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
34. General expenses		
Advertising	1,531,541	2,048,289
Auditor's remuneration	6,768,265	5,324,340
Bank charges	737,400	635,806
Cleaning	182,947	104,865
Discount allowed	15,913,069	5,330,611
Fines and Penalties	2,000	-
Hire	3,777,993	2,950,083
Insurance	1,986,467	8,734,289
Conferences and seminars	4,397,072	2,077,685
IT expenses	4,262,796	2,164,694
Promotions and sponsorships	1,767,529	1,397,019
Motor vehicle expenses	4,881	48,831
Fuel and oil	5,596,979	4,612,535
Postage and courier	18,388	19,645
Printing and stationery	1,419,043	1,687,871
Protective clothing	1,455,153	3,343,931
Staff welfare	205,916	379,701
Subscriptions and membership fees	6,001,780	4,791,889
Communication expenses	6,390,902	9,428,811
Transport and freight	6,000	7,400
Travel - local	6,822,729	3,447,056
Membership fees	29,707	-
Materials and consumables	8,186,250	643,869
Travel, subsistence & accommodation	4,582,111	3,119,215
Staff welfare	661,030	871,219
Sewage and waste disposal	1,612,604	967,948
Current service cost	9,023,816	-
Electricity connection fees	13,921,395	11,053,699
	107,265,763	75,191,301
35. Repairs and maintenance		
Included in Note 32 for contracted services is the repairs and maintenance as per the disclosure below,		
Repairs and maintenance		
Community	-	3,773,874
Infrastructure	20,969,692	23,561,998
Buildings	2,561,865	207,746
Other property plant and equipment	4,104,256	4,630,710
	27,635,813	32,174,328
36. Auditors' Remuneration		
External Auditors fees	6,768,265	5,324,340

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
37. Cash generated from operations		
Surplus	416,675,515	513,362,514
Adjustments for:		
Depreciation and amortisation	114,365,405	94,636,512
(Gain)/Loss on sale of assets	-	(167,390)
Finance costs	2,386,083	3,344,227
Impairment deficit	6,253,265	7,944,908
Debt impairment	100,528,704	161,014,044
Movements in provisions	15,397,862	9,477,874
Donated assets	(8,031,563)	(18,427,013)
Prior year adjustments	-	(65,890,055)
Disposal of assets	-	(167,390)
Movement in prior year surplus	-	(13,925,797)
Actuarial gains	(1,092,669)	631,773
Non cash movements	3,911,264	(569,767)
Actuarial gains (loss)		
Inventories	(1,022,840)	314,575
Receivables from Exchange Transactions	(159,995,571)	(121,379,976)
Receivables from non-exchange transactions	(83,921,856)	(54,050,723)
Payables from exchange transactions	41,740,744	(75,647,707)
VAT	(924,029)	37,808,159
Unspent conditional grants and receipts	(330,595)	(7,249,734)
Consumer deposits	22,881	13,706
	445,962,600	471,072,740

38. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	255,770,350	258,718,481
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Total capital commitments

Already contracted for but not provided for	255,770,350	258,718,481
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Authorised operational expenditure

This committed expenditure relates to plant and equipment and will be financed by inter alia grant funds, existing cash resources and funds internally generated. The commitments disclosed are inclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	3,197,661
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Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of three years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating lease payments represent rentals payable by the Municipality for certain office equipments and mobile offices. Operational lease entered with **Nashua** is negotiated for an average term of three years and rental is fixed as per the agreed appointment letter for an average of three years. No contingent rent is payable. Nashua Lowveld supplied forty photocopying machines to the Municipality for a period of 36 Months at 0% escalation. The contract for Nashua will come to an end on the 28 of February 2019.

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
39. Contingencies		
Contingencies arising from pending litigation on contractual disputes and damage claims:		
Litigation is in process against the municipality relating to several contractual disputes and claims for damages. As the conclusion of the processes is dependent on the setting of dates by the respective courts, the timing of the economic outflow is therefore uncertain. Amounts disclosed do not include legal fees. Details of the claims are listed below:		
Contingent Liabilities		
1. Telkom SA - Alleged damages to the property by the municipality	130,323	130,323
2. Izingwenya 210 Investment CC & Juslo Security services - claim for payment of services	3,101,915	3,101,915
3. NAD Property Income Fund - claim for service rendered	-	23,525,000
4. Niloti/Ex Services construction JV- claim for serving the Thulamahashe site	1,138,700	1,138,700
5. MGN Security - illegally providing security in 2007 and invoices were received in 2009	149,454	149,454
6. Makaula Zilwa Inc/MNB Chartered Accountants - an alleged claim for services rendered	-	4,517,135
7. Malo Construction - Claim for alleged non-payment of bulk water supply project	10,180,646	10,180,646
8. Midas Chawane - a claim for damages suffered as a result of alleged negligence of the municipality in failing to maintain the damaged surface of the road to Manyeleti	17,843	-
9. Judas Nkuna - vehicle accident between the plaintiff and the municipal driver	71,000	-
10. Tsebu Brothers Holdings - cancellation of the agreement for electrification at Maluvana Phase 2	4,050,157	4,050,157
11. Coshiwe Melina on behalf of minors and others	600,000	600,000
12. Hwali Business Enterprise - claim for services rendered	4,364,330	4,364,330
13. Robert Theba - damages	200,000	200,000
14. Mylocel (Pty) Ltd - damages suffered due to non payment for services allegedly rendered and repudiation of contract	1,814,400	-
	25,818,768	51,957,660

40. Related parties

Close family member of SCM Practitioner

Matlala Nyapele

Close family member of SCM Bids Practitioner

Mache Properties and Nkabo Investment Holdings

Key Management Personnel and Councillors in nature are related parties and a disclosure in this regard was provided. Related party transactions mainly of the supply of goods and services to the municipality. The businesses are owned by close family members of staff, as detailed - Matlala Nyapele - Ms Moripe an SCM officer with the municipality is a sister to the Director.

The businesses are owned by close family members of staff, as detailed: Mache Properties & Nkabo Investment Holdings - Mr S. Ntsako an SCM Bids Practitioner with the municipality is a brother in law to the Director. Mache Properties was awarded a contract for the development and sale/lease of erven 1377 & 1378 Shatale Township. Nkabo Investment Holdings was awarded a contract of the development and sale/lease of erf 281 Kildare 277 KU.

Related party balances

Amounts included in trade payables regarding related parties

Matlala Nyapele Investment Properties	310,241	17,060,022
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Commitments with related parties

Mache Properties	1,500,000	-
Nkabo Investment Holdings	2,300,000	-

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
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41. Risk management

Liquidity risk

The municipality's risk to liquidity as 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 is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2019	2018
FNB Bank	46,923,644	104,375,995
Standard Bank	46,127,210	5,270,740
Receivables from exchange transactions	426,454,755	286,617,267
Receivables from non exchange transactions	490,102,102	485,118,485
Trade payables	(517,378,718)	(475,637,974)

Market risk

Market risk is the risk that changes in market prices such as interest rates affect the municipality income or the value of financial instruments holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

Interest rate risk

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

42. Unauthorised expenditure

Opening balance as previously reported	391,924,798	467,183,789
Opening balance as restated	391,924,798	467,183,789
Add: Current year	-	45,172,819
Less: Amount written off	-	(120,431,810)
Closing balance	391,924,798	391,924,798

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018
43. Fruitless and wasteful expenditure		
Opening balance as previously reported	42,586,761	27,607,877
Opening balance as restated	42,586,761	27,607,877
Auditor General	9,165	2,983
Department of safety	4,018,474	-
Eskom	445,248	46,096
Fruitless and wasteful expenditure for prior year identified in current year	-	90,868
Driving licence card	9,866	-
Makula Zilwa	2,422,410	-
SARS penalties and interest	-	324,644
Telkom	-	6,498
Identified by AG during audit -lillydale road	2,098,955	-
Rand Water	15,924,564	14,497,817
Avis car rental	-	2,260
Municipal truck repairs	-	7,718
Closing balance	67,515,443	42,586,761
44. Irregular expenditure		
Opening balance	936,140,722	1,836,770,279
Opening balance as restated	936,140,722	1,836,770,279
Less: Amounts written off	-	(1,116,719,323)
Identified by the Auditor General	189,549,719	-
Current year irregular expenditure	6,295,217	45,526,478
Irregular expenditure for prior year identified in current year	18,985,495	90,320,704
2016/17 Irregular expenditure identified during audit	-	7,170,991
Additional amounts identified by the Auditor General	-	73,755,190
Recovered from Councillors	-	(683,597)
Closing balance	1,150,971,153	936,140,722
2018-19 Completeness		
The municipality was in the process of carrying out investigations for the 2018/19 irregular expenditure and this could not be completed during the finalisation of the audit.		
45. Additional disclosure in terms of Municipal Finance Management Act		
SALGA		
Opening balance	688,016	688,847
Current year subscription / fee	4,031,910	3,513,340
Amount paid - current year	(4,719,926)	(3,514,171)
	-	688,016
Distribution Loss		
Billed Water	30,301,939	26,724,679
Add: Free basic water	127,862,919	107,204,356
Less: Bulk Purchases	(219,726,322)	(196,493,342)
Less: Closing inventory	(445,980)	-
	(62,007,444)	(62,564,307)

BUSHBUCKRIDGE LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements for the year ended 30 June 2019

Figures in Rand	2019	2018	
45. Additional disclosure in terms of Municipal Finance Management Act (continued)			
Audit fees			
Current year fees	6,768,265	5,320,715	
PAYE, SDL and UIF			
Opening balance	-	3,927	
Current year subscription / fee	74,658,654	62,531,239	
Amount paid - current year	(66,768,472)	(62,535,166)	
	7,890,182	-	
Pension and Medical Aid Deductions			
Opening balance	198,464	5,081,448	
Current year subscription / fee	112,412,067	98,599,666	
Amount paid - current year	(103,678,731)	(103,482,650)	
	8,931,800	198,464	
VAT			
VAT receivable	81,274,242	80,350,213	
VAT output payables and VAT input receivables are shown in note 8.			
Councillors' arrear consumer accounts			
The following Councillors had arrear accounts outstanding as at 30 June 2019:			
30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor Nxumalo Themba Arnold	2,823	25,526	28,349
SUPPLY CHAIN DEVIATIONS			
In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been condoned.			
Incident			
Social crime prevention	-	3,821,352	
Earthmoving equipment repairs	-	466,148	
Current year deviations- S36.1 (a)(1)	9,674,821	-	
	9,674,821	4,287,500	
46. PRIOR PERIOD ERRORS			
1. Property, plant and equipment - capitalisation of expensed boreholes, unbundling of completed projects.			
2. Intangible assets - useful life was reviewed as the asset is still in use.			
3. Receivable from exchange and non exchange transactions corrections are as result of a court determination on the application of tariffs. Fines were also restated.			

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Figures in Rand	2019	2018
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46. PRIOR PERIOD ERRORS (continued)

- VAT receivable - the adjustments in creditors and receivables have an effect on the VAT.
- Payables from exchange transaction adjustment were due, invoicing of suppliers, write off of supplier debit balances.
- Cash and cash equivalents - non cash items were incorrectly mapped in prior year.
- Provision - the provision was reclassified within provisions (current and non current assets).
- Expenditure (contracted services, general expenses and transfer and subsidies) - correction of misclassifications within expenditure accounts and the effect of the changes in payables.
- Actuarial gains - were omitted in prior year.

The cashflow statement was restated to take into effect the adjustments in the statement of financial position and the statement of financial performance.

Statement of financial position

Property, plant and equipment	-	14,791,070
Receivable from non exchange	-	(29,814,913)
VAT Receivable	-	7,003,947
Receivable from exchange	-	(9,084,549)
Cash & cash equivalents	-	(139,756)
Payables from exchange transaction	-	(39,056,679)
Provision Current	-	(30,804,713)
Provision Non-current	-	30,172,940
Increase in surplus	-	(13,925,797)
Accumulated surplus	-	70,858,450
	<u>-</u>	<u>-</u>

Statement of Financial Performance

Service charges	-	(2,301)
Rental of facilities	-	16,372
Agency income	-	31,845
License & permits	-	30,838
Operating income	-	(63,600)
Interest	-	(3,387,306)
Public Contributions and Donations	-	11,385,421
Fines	-	3,067,394
Employee cost	-	(12,079)
Remuneration of councillors	-	(10,848)
Depreciation	-	1,338,175
Finance costs	-	(2,077,423)
Contracted services	-	31,958,661
Transfer & subsidies	-	(2,654,874)
Actuarial gains	-	(631,773)
General expenses	-	(25,062,705)
Increase in surplus	-	(13,925,797)
Decrease in surplus	<u>-</u>	<u>-</u>