

NAMA KHOI

MUNICIPALITY



FINANCIAL STATEMENTS

30 JUNE 2019

NAMA KHOI MUNICIPALITY

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NAMA KHOI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

GENERAL INFORMATION

NATURE OF BUSINESS

Nama Khoi Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

JURISDICTION

The Nama Khoi Municipality includes the towns of Springbok, Concordia, Okiep, Steinkopf, NababEEP, Carolusberg, Vioolsdrift, Rooiwal, Goodhouse and Komaggas.

EXECUTIVE MAYOR

LF Faber

SPEAKER

ML Isaacs

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor

LF Faber

Speaker

ML Isaacs

Executive Councillor

S Kleinbooi

Executive Councillor

WS Jordaan

MUNICIPAL MANAGER

SA Titus

CHIEF FINANCIAL OFFICER

H Cloete (Acting)

REGISTERED OFFICE

Private Bag X17

SPRINGBOK

8240

AUDITORS

Office of the Auditor-General (Northern Cape)

Private Bag X5013

KIMBERLEY

8300

PRINCIPLE BANKERS

ABSA Bank

NAMA KHOI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

GENERAL INFORMATION

ATTORNEYS

Neville Cloete Attorneys
Webber Wentzel
Duncan J Britz Attorneys
Shreuders Attorneys
Werkman Attorneys
Bouwer & Kie

RELEVANT LEGISLATION

Basic Conditions of Employment Act (Act no 75 of 1997)
Collective Agreements
Division of Revenue Act
Electricity Act (Act no 41 of 1987)
Employment Equity Act (Act no 55 of 1998)
Housing Act (Act no 107 of 1997)
Infrastructure Grants
Municipal Budget and Reporting Regulations
Municipal Finance Management Act (Act no 56 of 2003)
Municipal Planning and Performance Management Regulations
Municipal Property Rates Act (Act no 6 of 2004)
Municipal Regulations on Standard Chart of Accounts
Municipal Structures Act (Act no 117 of 1998)
Municipal Systems Act (Act no 32 of 2000)
Municipal Systems Amendment Act (Act no 7 of 2011)
SALBC Leave Regulations
Skills Development Levies Act (Act no 9 of 1999)
Supply Chain Management Regulations, 2005
The Income Tax Act
Unemployment Insurance Act (Act no 30 of 1966)
Value Added Tax Act
Water Services Act (Act no 108 of 1997)

NAMA KHOI MUNICIPALITY

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

GENERAL INFORMATION

MEMBERS OF THE NAMA KHOI MUNICIPALITY

WARD	COUNCILLOR
1	JE van den Heever
2	DA Markus
3	CE Gertze
4	R Kritzinger
5	S Kleinbooi
6	CG Coetzee
7	YL van Zyl
8	P van Reenen
9	GY Pieters
Proportional	LF Faber
Proportional	JD Owies (neè Joseph) (Resigned 29/03/2019)
Proportional	SCJ van Wyk (Resigned 29/03/2019)
Proportional	ZP de Jongh
Proportional	LL Vries
Proportional	SH Ruiters
Proportional	WS Jordaan
Proportional	GJ Coetzee
Proportional	W Van Schalkwyk (Appointed 15/04/2019)
Proportional	ML Isaacs (Appointed 03/04/2019)

NAMA KHOI MUNICIPALITY

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements year ended 30 June 2019, which are set out on pages 6 to 107 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

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

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

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2020 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

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

SA Titus
Municipal Manager

Date

Report of AG

NAMA KHOI MUNICIPALITY

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Notes	2019 R	2018 R
ASSETS			
Non-Current Assets		788 113 750	791 277 053
Property, Plant and Equipment	2	663 557 305	666 728 393
Investment Property	3	123 444 704	123 444 704
Intangible Assets	4	72 942	65 156
Heritage Assets	5	1 038 799	1 038 799
Current Assets		112 373 554	93 588 654
Inventory	8	31 138 138	30 995 464
Receivables from Exchange Transactions	9	23 477 546	24 885 660
Receivables from Non-exchange Transactions	10	7 146 669	8 610 823
Operating Lease Asset	7.1	26 464	53 361
Taxes	20.3	21 093 132	12 957 073
Cash and Cash Equivalents	11.1	29 464 599	16 059 267
Short-term Investments	11.2	27 006	27 006
Total Assets		900 487 304	884 865 706
NET ASSETS AND LIABILITIES			
Non-Current Liabilities		80 208 453	70 533 502
Long-term Borrowings	12	7 547 178	-
Non-current Provisions	13	49 232 691	46 794 687
Non-current Employee Benefits	14	23 428 584	23 738 815
Current Liabilities		343 698 773	278 092 372
Consumer Deposits	15	3 294 373	3 126 230
Provisions	16	31 047 598	29 510 121
Current Employee Benefits	17	9 543 206	8 760 970
Trade and Other Payables from Exchange Transactions	18	283 422 732	220 839 248
Unspent Transfers and Subsidies	19	12 727 195	13 402 799
Cash and Cash Equivalents	11.3	-	2 432 766
Current Portion of Long-term Borrowings	12	3 663 670	20 238
Total Liabilities		423 907 226	348 625 874
Net Assets		476 580 078	536 239 832
Accumulated Surplus/(Deficit)		476 580 078	536 239 832
Total Net Assets and Liabilities		900 487 304	884 865 706

NAMA KHOI MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
REVENUE			
Revenue from Non-exchange Transactions		135 447 574	119 397 001
Taxation Revenue		47 470 760	45 165 614
Property Rates	23	47 470 760	45 165 614
Transfer Revenue		79 272 077	69 587 063
Government Grants and Subsidies	24	79 210 781	69 587 063
Public Contributions and Donations	25	-	-
Contributed Property, Plant and Equipment		61 296	-
Other Revenue		8 704 736	4 644 323
Actuarial Gains	14	4 558 829	1 371 142
Fines, Penalties and Forfeits		589 497	105 322
Interest Earned - Non-exchange Transactions		2 276 707	1 862 575
Licences and Permits	26	1 279 703	1 305 284
Revenue from Exchange Transactions		148 038 930	135 819 247
Service Charges	27	133 535 710	123 276 406
Sales of Goods and Rendering of Services	28	636 598	546 928
Rent on Land	29	1 001 144	968 579
Rental from Fixed Assets	30	2 258 569	1 720 569
Interest Earned - External Investments	31	1 778 151	1 357 398
Interest Earned - Exchange Transactions	32	8 322 000	6 559 589
Agency Services		244 284	1 075 499
Operational Revenue	33	262 475	314 279
Total Revenue		283 486 504	255 216 247
EXPENDITURE			
Employee related costs	34	(85 976 830)	(80 635 973)
Remuneration of Councillors	35	(5 985 148)	(5 791 509)
Depreciation and Amortisation	36	(43 083 975)	(41 525 355)
Finance Costs	37	(14 952 280)	(12 475 276)
Bulk Purchases	38	(106 545 716)	(96 374 175)
Inventory Consumed	8	(10 208 982)	(7 692 408)
Operational Costs	39	(36 925 191)	(50 791 833)
Total Expenditure		(303 678 120)	(295 286 529)
Operating Surplus/(Deficit) for the Year		(20 191 617)	(40 070 282)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	8	(388 183)	(20 910)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	40	(39 066 593)	(4 337 493)
Gains/(Loss) on Disposal of Fixed Assets	41	(13 361)	(1 019)
Reversal of Impairment Loss/(Impairment Loss) on Fixed Assets	42	-	-
Water Losses	43	-	-
NET SURPLUS/(DEFICIT) FOR THE YEAR		(59 659 754)	(44 429 703)

NAMA KHOI MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED 30 JUNE 2019

	Capital Replacement Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R
Balance at 1 July 2017	144 993	579 852 371	579 997 365
Correction of Error - Note 46.10	-	672 171	672 171
Restated balance	144 993	580 524 542	580 669 535
Net Surplus/(Deficit) for the year	-	(44 429 703)	(44 429 703)
Net Surplus/(Deficit) previously reported	-	(51 088 428)	(51 088 428)
Effects of Correction of Errors - Note 46.11	-	6 658 725	6 658 725
Transfer to/from CRR	(144 993)	144 993	-
Restated balance	-	536 239 832	536 239 832
Net Surplus/(Deficit) for the year	-	(59 659 754)	(59 659 754)
Balance at 30 June 2019	-	476 580 078	476 580 078

NAMA KHOI MUNICIPALITY

CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

	Notes	2019 R	2018 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts			
Taxation		43 089 065	40 780 985
Service Charges		113 113 542	109 986 865
Other Revenue		5 507 411	5 932 999
Government - Operating		47 250 177	44 484 331
Government - Capital		31 285 000	36 616 000
Interest		1 778 151	1 357 398
Cash payments			
Suppliers and Employees		(185 026 260)	(204 956 192)
Finance Charges		(12 648 706)	(10 302 128)
Transfers and Grants		-	-
Net Cash from Operating Activities	47	44 348 380	23 900 258
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(39 832 665)	(21 447 517)
Proceeds on Disposal of Fixed Assets		-	-
Purchase of Investment Properties		-	-
Purchase of Intangible Assets		(36 371)	-
Net Cash from Investing Activities		(39 869 036)	(21 447 517)
CASH FLOW FROM FINANCING ACTIVITIES			
Short term Loans		-	-
Borrowing - Long term/Refinancing		12 123 378	-
Increase/(Decrease) in Consumer Deposits		168 143	127 981
Repayment of Borrowing		(932 768)	(247 811)
Net Cash from Financing Activities		11 358 753	(119 830)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15 838 097	2 332 911
Cash and Cash Equivalents at the beginning of the year		13 653 507	11 320 596
Cash and Cash Equivalents at the end of the year	48	29 491 605	13 653 507
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		15 838 098	2 332 911

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget	
	R	R	R	R	R	R	2019 R	%	
ASSETS									
Current Assets									
	Cash	16 915 794	(4 300 918)	12 614 876	-	-	12 614 876	29 464 599	133.57%
	Call Investment Deposits	-	-	-	-	-	-	27 006	100.00%
	Consumer Debtors	19 262 418	(12 421 914)	6 840 504	-	-	6 840 504	23 477 546	243.21%
	Other Debtors	12 581 326	1 907 166	14 488 492	-	-	14 488 492	28 266 265	95.09%
	Current Portion of long-term receivables	-	-	-	-	-	-	-	0.00%
	Inventory	1 017 321	30 053 562	31 070 883	-	-	31 070 883	31 138 138	0.22%
50.2.1	Total Current Assets	49 776 859	15 237 896	65 014 755	-	-	65 014 755	112 373 554	72.84%
Non-Current Assets									
	Investment Property	123 444 704	-	123 444 704	-	-	123 444 704	123 444 704	0.00%
	Property, Plant and Equipment	627 912 868	21 556 397	649 469 266	-	-	649 469 266	663 557 305	2.17%
	Intangible Assets	63 994	(26 199)	37 795	-	-	37 795	72 942	93.00%
	Other Non-Current Assets	1 038 554	-	1 038 554	-	-	1 038 554	1 038 799	0.02%
50.2.2	Total Non-Current Assets	752 460 120	21 530 198	773 990 318	-	-	773 990 318	788 113 750	1.82%
	TOTAL ASSETS	802 236 979	36 768 094	839 005 074	-	-	839 005 074	900 487 304	7.33%
LIABILITIES									
Current Liabilities									
	Borrowing	-	5 390 383	5 390 383	-	-	5 390 383	3 663 670	-32.03%
	Consumer Deposits	3 093 620	32 610	3 126 230	-	-	3 126 230	3 294 373	5.38%
	Trade and Other Payables	110 387 047	(18 154 464)	92 232 583	-	-	92 232 583	296 149 926	221.09%
	Provisions	8 921 425	14 512 664	23 434 089	-	-	23 434 089	40 590 804	73.21%
50.2.3	Total Current Liabilities	122 402 092	1 781 193	124 183 284	-	-	124 183 284	343 698 773	176.77%
Non-Current Liabilities									
	Borrowing	-	141 320 865	141 320 865	-	-	141 320 865	7 547 178	-94.66%
	Provisions	170 514 762	(126 173 575)	44 341 186	-	-	44 341 186	72 661 275	63.87%
50.2.4	Total Non-Current Liabilities	170 514 762	15 147 290	185 662 051	-	-	185 662 051	80 208 453	-56.80%
	TOTAL LIABILITIES	292 916 853	16 928 482	309 845 336	-	-	309 845 336	423 907 226	36.81%
NET ASSETS									
	Accumulated Surplus/(Deficit)	509 320 126	19 839 612	529 159 738	-	-	529 159 738	476 580 078	-9.94%
50.2.5	TOTAL NET ASSETS	509 320 126	19 839 612	529 159 738	-	-	529 159 738	476 580 078	-9.94%

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2019

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by-law)	Final Budget	Actual Outcome	Actual Outcome as % of Final Budget
	R	R	R	R	R	R	2019 R	%
REVENUE								
Property Rates	49 087 458	-	49 087 458	-	-	49 087 458	47 470 760	-3.29%
Service Charges - Electricity Revenue	82 719 739	-	82 719 739	-	-	82 719 739	80 125 424	-3.14%
Service Charges - Water Revenue	33 053 220	-	33 053 220	-	-	33 053 220	29 274 384	-11.43%
Service Charges - Sanitation Revenue	11 004 875	257 135	11 262 010	-	-	11 262 010	11 055 479	-1.83%
Service Charges - Refuse Revenue	13 531 791	1 410	13 533 201	-	-	13 533 201	13 080 423	-3.35%
Rental of Facilities and Equipment	1 267 715	-	1 267 715	-	-	1 267 715	2 258 569	78.16%
Interest Earned - External Investments	2 183 767	(942 816)	1 240 951	-	-	1 240 951	1 778 151	43.29%
Interest Earned - Outstanding Debtors	1 902 596	5 080 939	6 983 535	-	-	6 983 535	10 598 706	51.77%
Fines	5 281 409	(5 080 939)	200 470	-	-	200 470	589 497	194.06%
Licences and Permits	1 438 199	-	1 438 199	-	-	1 438 199	1 279 703	-11.02%
Agency Services	1 156 128	-	1 156 128	-	-	1 156 128	244 284	-78.87%
Transfers Recognised - Operational	47 927 000	-	47 927 000	-	-	47 927 000	47 787 943	-0.29%
Other Revenue	1 082 696	988 851	2 071 546	-	-	2 071 546	6 459 046	211.80%
Gains on Disposal of PPE	7 000 000	-	7 000 000	-	-	7 000 000	-	-100.00%
Total Revenue (excluding capital transfers and contributions)	50.2.6	258 636 593	304 579	258 941 172	-	258 941 172	252 002 369	-2.68%
EXPENDITURE								
Employee Related Costs	87 600 201	1 195 503	88 795 704	-	-	88 795 704	85 976 830	-3.17%
Remuneration of Councillors	5 791 509	205 588	5 997 097	-	-	5 997 097	5 985 148	-0.20%
Debt Impairment	19 066 479	25 856	19 092 335	-	-	19 092 335	39 066 593	104.62%
Depreciation and Asset Impairment	40 787 397	(1 081 802)	39 705 595	-	-	39 705 595	43 083 975	8.51%
Finance Charges	7 200 000	(4 424 733)	2 775 267	-	-	2 775 267	14 952 280	438.77%
Bulk Purchases	105 347 176	-	105 347 176	-	-	105 347 176	106 545 716	1.14%
Other Materials	8 584 215	(194 405)	8 389 810	-	-	8 389 810	10 208 982	21.68%
Contracted Services	24 029 793	1 814 773	25 844 567	-	-	25 844 567	-	-100.00%
Other Expenditure	26 552 899	1 245 680	27 798 579	-	-	27 798 579	37 313 374	34.23%
Loss on Disposal of PPE	-	-	-	-	-	-	13 361	0.00%
Total Expenditure	50.2.7	324 959 669	(1 213 540)	323 746 130	-	323 746 130	343 146 258	5.99%
Surplus/(Deficit)	(66 323 077)	1 518 119	(64 804 958)	-	-	(64 804 958)	(91 143 888)	40.64%
Transfers Recognised - Capital	23 384 000	14 805 000	38 189 000	-	-	38 189 000	31 422 839	-17.72%
Contributions Recognised - Capital	-	-	-	-	-	-	-	0.00%
Contributed Assets	-	-	-	-	-	-	61 296	0.00%
Surplus/(Deficit) after Capital Transfers & Contributions	(42 939 077)	16 323 119	(26 615 958)	-	-	(26 615 958)	(59 659 754)	124.15%
Taxation	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) after Taxation	(42 939 077)	16 323 119	(26 615 958)	-	-	(26 615 958)	(59 659 754)	124.15%
Attributable to Minorities	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) Attributable to Municipality	(42 939 077)	16 323 119	(26 615 958)	-	-	(26 615 958)	(59 659 754)	124.15%
Share of Surplus/(Deficit) of Associate	-	-	-	-	-	-	-	0.00%
Surplus/(Deficit) for the year	(42 939 077)	16 323 119	(26 615 958)	-	-	(26 615 958)	(59 659 754)	124.15%

NAMA KHOI MUNICIPALITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 JUNE 2019

Notes	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Adjustment Budget	Shifting of Funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved by- law)	Final Budget	Actual Outcome 2019	Actual Outcome as % of Final Budget %	
	R	R	R	R	R	R	R	%	
CASH FLOW FROM OPERATING ACTIVITIES									
Receipts									
Property Rates	44 178 712	-	44 178 712	-	-	44 178 712	43 089 065	-2.47%	
Service Charges	126 464 719	8 196 968	134 661 687	-	-	134 661 687	113 113 542	-16.00%	
Other Revenue	10 101 057	(5 234 714)	4 866 343	-	-	4 866 343	5 507 411	13.17%	
Government - Operating	47 927 000	-	47 927 000	-	-	47 927 000	47 250 177	-1.41%	
Government - Capital	23 384 000	14 805 000	38 189 000	-	-	38 189 000	31 285 000	-18.08%	
Interest	3 898 627	(2 657 676)	1 240 951	-	-	1 240 951	1 778 151	43.29%	
Payments									
Suppliers and Employees	(232 084 412)	13 431 657	(218 652 755)	-	-	(218 652 755)	(185 026 260)	-15.38%	
Finance costs	-	-	-	-	-	-	(12 648 706)	100.00%	
Net Cash from/(used) Operating Activities	50.2.8	23 869 703	28 541 235	52 410 938	-	-	52 410 938	44 348 380	-15.38%
CASH FLOW FROM INVESTING ACTIVITIES									
Receipts									
Proceeds on disposal of PPE	7 000 000	-	7 000 000	-	-	7 000 000	-	-100.00%	
Decrease/(Increase) in Non-Current Debtors	-	-	-	-	-	-	-	0.00%	
Decrease/(Increase) in Other Non-Current Receivables	(1 038 554)	1 038 554	-	-	-	-	-	0.00%	
Decrease/(Increase) in Non-Current Investments	-	-	-	-	-	-	-	0.00%	
Payments									
Capital Assets	(23 384 000)	(29 794 188)	(53 178 188)	-	-	(53 178 188)	(39 869 036)	-25.03%	
Net Cash from/(used) Investing Activities	50.2.9	(17 422 554)	(28 755 634)	(46 178 188)	-	-	(46 178 188)	(39 869 036)	-13.66%
CASH FLOW FROM FINANCING ACTIVITIES									
Receipts									
Short Term Loans	-	-	-	-	-	-	-	0.00%	
Borrowing long term/refinancing	-	-	-	-	-	-	12 123 378	0.00%	
Increase/(Decrease) in Consumer Deposits	5 088	32 610	37 698	-	-	37 698	168 143	346.03%	
Payments									
Repayment of Borrowing	(244 426)	(4 119 130)	(4 363 556)	-	-	(4 363 556)	(932 768)	-78.62%	
Net Cash from/(used) Financing Activities	50.2.10	(239 338)	(4 086 521)	(4 325 859)	-	-	(4 325 859)	11 358 753	-362.58%
NET INCREASE/(DECREASE) IN CASH HELD									
Cash and Cash Equivalents at the year begin:	6 207 811	(4 300 919)	1 906 892	-	-	1 906 892	15 838 097	730.57%	
	10 707 985	-	10 707 985	-	-	10 707 985	13 653 507	27.51%	
Cash and Cash Equivalents at the year end:	16 915 796	(4 300 919)	12 614 877	-	-	12 614 877	29 491 605	133.78%	

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the Finance Management Act (MFMA) and effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2015) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the annual financial statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand. No foreign exchange transactions are included in the statements.

1.3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.2, on which the municipality was required to transacted for periods after 1 July 2018. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2018 audited amounts are set out in note 45 of the annual financial statements.

1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as separate additional financial statements, namely Statements of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

GRAP 18 Segment Reporting is effective from 1 April 2015. The implementation of GRAP 18 is delayed, in terms of Directive 5, for municipalities for the 2018/19 financial year and municipalities are not required to apply or early adopt GRAP 18. The implementation date of GRAP 18 is **1 April 2020**.

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality:

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 20 (Original – Jun 2011)	<p><u>Related Party Disclosure</u></p> <p>The objective of this Standard is to ensure that a Municipality's financial statements contains the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.</p> <p>The Municipality resolved to adopt some of the disclosure requirements as per GRAP 20. The information is therefore included in the financial statements.</p>	1 April 2019
GRAP 32 (Original – Aug 2013)	<p><u>Service Concession Arrangements: Grantor</u></p> <p>The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor and a public entity.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	1 April 2019
GRAP 34 (Revised – April 2019)	<p><u>Separate Financial Statements</u></p> <p>The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p>	Unknown

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	No significant impact expected as no such transactions or events are expected in the foreseeable future.	
GRAP 35 (Revised – April 2019)	<p><u>Consolidated Financial Statements</u></p> <p>The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 36 (Revised – April 2019)	<p><u>Investments in Associates and Joint Ventures</u></p> <p>The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 37 (Revised – April 2019)	<p><u>Joint Arrangements</u></p> <p>The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements)</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 38 (Revised - April 2019)	<p><u>Disclosure of Interest in Other Entities</u></p> <p>The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:</p> <p>a) the nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated; and</p> <p>b) the effects of those interests on its financial position, financial performance and cash flows.</p> <p>No significant impact expected as no such transactions or events are expected in the foreseeable future.</p>	Unknown
GRAP 104 (Revised – April 2019)	<p><u>Financial Instruments</u></p> <p>The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.</p> <p>The Municipality might need to revise the categories of financial instruments and the impairment model.</p>	Unknown

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

<p>GRAP 108 (Original – Sept 2013)</p>	<p><u>Statutory Receivables</u></p> <p>The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.</p> <p>The Municipality has resolved to adopt the principles as set out in GRAP 108 to formulate its own accounting policy.</p>	<p>1 April 2019</p>
<p>GRAP 109</p>	<p><u>Accounting by Principles and Agents</u></p> <p>The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.</p> <p>No significant impact is expected as the Municipality’s current treatment is already in line with the Standards treatment.</p>	<p>1 April 2019</p>
<p>GRAP 110</p>	<p><u>Living and non-living resources</u></p> <p>The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.</p> <p>No significant impact expected as any such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2020</p>
<p>IGRAP 17</p>	<p><u>Service Concession Arrangements where a grantor controls a significant residual interest in an Asset</u></p> <p>The Interpretation of the Standards is to provide guidance to the grantor where it has entered into a service concession arrangement, but only controls, through a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease.</p> <p>No such transactions or events are expected in the foreseeable future.</p>	<p>1 April 2019</p>
<p>IGRAP 18</p>	<p><u>Recognition and Derecognition of Land</u></p> <p>The Interpretation provide guidance on when an entity should recognise and derecognise land as an asset in its financial statements.</p> <p>The municipality needs to assess whether there are any changes to binding agreements that may impact its assessment of control.</p>	<p>1 April 2019</p>
<p>IGRAP 19</p>	<p><u>Liabilities to Pay Levies</u></p> <p>The Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.</p>	<p>1 April 2019</p>

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	No such transactions or events are expected in the foreseeable future.	
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These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.

1.9. RESERVES

1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilized for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (Deficit) are credited by a corresponding amount when the amounts in the CRR are utilized.

1.10. LEASES

1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

representative of the time pattern of the lessee's benefit from the use of the leased asset.

1.10.2. Municipality as Lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality shall recognise the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leases asset is diminished.

1.11. BORROWING COST

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately disclosed in the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

1.14. UNSPENT PUBLIC CONTRIBUTIONS

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.15. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
 - the principal locations affected;
 - the location, function and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

1.16. EMPLOYEE BENEFITS

(a) Pension and Retirement Fund Obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

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

(b) *Post-Retirement Medical Obligations*

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as contribution and the remaining 40% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

(c) *Long Service Awards*

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of Interest Cost in GRAP 25. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(d) Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

(e) Staff Bonuses

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year end for each employee.

(f) Other Short-term Employee Benefits

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

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

1.17. PROPERTY, PLANT AND EQUIPMENT

1.17.1. Initial Recognition

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 year. The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the entity, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded 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 the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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 assets acquired is initially measure 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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

1.17.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.17.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

<u>Land and Buildings</u>	Years
Land	Indefinite
Buildings	5 - 60

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Infrastructure

Roads and Streets	5 - 80
Storm Water	5 - 80
Electricity	10 - 60
Water	5 - 80
Sanitation	10 - 60
Waste Management	5 - 80
Other	30

Community

Recreation Facilities	10 - 60
Community Facilities	10 - 60

Finance lease assets

Office equipment	3 - 5
Other assets	2 - 5

Other

Motor Vehicles	5 - 15
Furniture and other Office equipment	5 - 15
Furniture and fittings	5 - 15
Plant and Equipment	2 - 15
Computer equipment	3 - 10

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.17.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.17.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007. Where it was impractical to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

1.18. INTANGIBLE ASSETS

1.18.1. Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

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

The Municipality recognises an intangible asset in its Statement of Financial Position only 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.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

NAMA KHOI MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or service potential; and
- the Municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset 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.

1.18.2. Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

1.18.3. Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	2-5
Computer Software Licenses	2-5

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

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1.18.4. De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.18.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciation cost method was used to establish the deemed cost as on 1 July 2007.

1.19. INVESTMENT PROPERTY

1.19.1. Initial Recognition

Investment property shall be recognised as an asset when and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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1.19.2. Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

1.19.3. Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	10-50

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting policy or retrospectively as a prior period error depending on the specific circumstances.

1.19.4. De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.19.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

1.20. HERITAGE ASSETS

1.20.1. Initial Recognition

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

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A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

1.20.2. Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

1.20.3. Depreciation and Impairment

Heritage assets are not depreciated

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

1.20.4. De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

1.20.5. Application of deemed cost (Directive 7)

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2011.

1.21. IMPAIRMENT OF NON-FINANCIAL ASSETS

1.21.1. Cash generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

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The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated;
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

(b) Internal sources of information

- Evidence is available of obsolescence or physical damage of an asset;
- Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite;
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation 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 shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset

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is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

1.21.2. Non-cash-generating assets

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

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

(a) External sources of information

- Cessation, or near cessation, of the demand or need for services provided by the asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

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(b) Internal sources of information

- Evidence is available of physical damage of an asset;
- Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date;
- A decision to halt the construction of the asset before it is complete or in a usable condition;
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciation replacement cost approach* - the present value of the remaining service potential of an 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 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.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, 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 usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit 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. As in the restoration cost approach, the current cost of replacing the remaining service

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potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

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.

An impairment loss is recognised immediately in surplus or deficit, unless the asset is carried at a revalued amount in accordance with another Standard of GRAP. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that Standard of GRAP.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an 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 an 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. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. 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. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

1.22. NON-CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

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1.23. INVENTORIES

1.23.1. Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.23.2. Subsequent Measurement

Inventories, consisting of consumable stores, land, materials and supplies and water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by Telemetry readings and the calculated volume in the distribution network. Where telemetry reading is not available, water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Cost of land held for sale is assigned by using specific identification of their individual costs.

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1.24. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

1.24.1. Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

1.24.2. Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

1.24.2.1. Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss 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 expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest

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income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

1.24.2.2. *Payables and Annuity Loans*

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

1.24.2.3. *Cash and Cash Equivalents*

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

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

1.24.2.4. *Non-Current Investments*

Investments and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

1.24.3. De-recognition

1.24.3.1. Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

1.24.3.2. Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

1.24.4. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.25. STATUTORY RECEIVABLES

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions.

1.25.1. Initial Recognition

Statutory receivables are recognised when the related revenue is recognised or when the receivable meets the definition of an asset.

1.25.2. Subsequent Measurement

The Municipality initially measures the statutory receivables at their transaction amount. The Municipality measure statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

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

The Municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. If there is an indication that a statutory receivable may be impaired, the Municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the Municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the Municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

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An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

1.25.3. Derecognition

The Municipality derecognises a statutory receivable when:

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

1.26. REVENUE

1.26.1. Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the Municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts

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are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the Municipality when the receivable meets the definition of an asset.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

All unclaimed deposits are initially recognised as a liability until 12 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore, the substance of these transactions indicates that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognised all unclaimed monies older than twelve months as revenue. Although unclaimed deposits are recognised as revenue after 12 months, the Municipality still keep record of these unclaimed deposits for three years in the event that a party should submit a claim after 12 months.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a 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 present obligation at the

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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 will be recognised as revenue.

Services in-kind that are significant to the Municipality's operations are recognised as assets and the related revenue when:

- it is probable that the future economic benefits or service potential will flow to the Municipality; and
- the fair value of the assets can be measured reliably.

If the services in-kind are not significant to the Municipality's operations or does not satisfy the above-mentioned criteria, the Municipality only disclose the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the Municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset, because the Municipality controls the resource from which future economic benefits or service potential is expected to flow to the Municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The Municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

1.26.2. Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

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;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does

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not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed as under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue is measured at the fair value of the consideration received or receivable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

1.27. TRANSFER OF FUNCTIONS (Municipality as acquirer)

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

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

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

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

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the *Framework for the Preparation and Presentation of Financial Statements* and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

1.28. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – “Related Party Disclosures”.

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.

The following are regarded as related parties of the Municipality:

- (a) A person or a close member of that person’s family is related to the Municipality if that person:
 - has control or joint control over the Municipality.
 - has significant influence over the Municipalities. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as “Key Management”) includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee;

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

1.29. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.30. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

1.32. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

1.33. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, 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:

Post-retirement medical obligations and Long service awards

The cost of post-retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in [note 17](#) of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings 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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of Property, Plant and Equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the Municipality's asset register;
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the Municipality and that the other municipality's asset register is considered to be accurate;
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Intangible Assets

The useful lives of intangible assets are based on management's estimation. 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.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Investment Property

The useful lives of investment property are based on management's estimation. 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 economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

Provision for Landfill Sites

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Provision for Staff leave

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

Pre-paid electricity estimation

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 7 days' worth of unused electricity.

Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

Revenue Recognition

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.34. TAXES – VALUE ADDED TAX

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

1.35. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

1.36. EVENTS AFTER REPORTING DATE

Events after the 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 are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

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NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2. PROPERTY, PLANT AND EQUIPMENT

2.1 30 JUNE 2019

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2018	14 052 373	18 230 829	609 276 484	22 159 232	112 200	2 897 275	666 728 393
Cost	14 052 373	28 228 528	1 171 990 400	58 427 391	604 188	13 570 256	1 286 873 136
Original Cost	14 052 373	28 228 528	1 171 990 400	58 427 391	604 188	13 570 256	1 286 873 136
Accumulated Depreciation and Impairment Losses	-	(9 997 699)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(620 144 743)
Original Cost	-	(9 997 699)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(620 144 743)
Acquisitions	-	-	7 603 284	-	12 123 378	443 557	20 170 218
Capital under Construction	-	-	19 662 447	-	-	-	19 662 447
Contributed PPE	-	-	-	-	-	61 296	61 296
IGRAP 2 Adjustment	-	-	-	-	-	-	-
Depreciation	-	(1 032 424)	(37 637 083)	(2 344 134)	(1 086 307)	(955 426)	(43 055 373)
Normal Depreciation	-	(1 032 424)	(37 637 083)	(2 344 134)	(1 086 307)	(955 426)	(43 055 373)
Backlog Depreciation	-	-	-	-	-	-	-
Carrying value of disposals	-	-	-	-	(3 730)	(5 946)	(9 675)
Cost	-	-	-	-	(590 905)	(64 240)	(655 145)
Accumulated Depreciation	-	-	-	-	587 175	58 294	645 470
Impairment losses	-	-	-	-	-	-	-
Reversal of Impairment losses	-	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-	-
Carrying Value at 30 June 2019	14 052 373	17 198 405	598 905 131	19 815 098	11 145 541	2 440 756	663 557 305
Cost	14 052 373	28 228 528	1 199 256 130	58 427 391	12 136 661	14 010 868	1 326 111 952
Original Cost	14 052 373	28 228 528	1 199 256 130	58 427 391	12 136 661	14 010 868	1 326 111 952
Accumulated Depreciation and Impairment Losses	-	(11 030 123)	(600 350 999)	(38 612 293)	(991 120)	(11 570 112)	(662 554 647)
Original Cost	-	(11 030 123)	(600 350 999)	(38 612 293)	(991 120)	(11 570 112)	(662 554 647)

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NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

2.2 30 JUNE 2018

Reconciliation of Carrying Value	Land R	Buildings R	Infrastructure R	Community R	Lease Assets R	Other R	Total R
Carrying Value at 1 July 2017	14 052 373	19 263 253	586 816 098	24 503 366	219 187	3 693 061	648 547 337
Cost	14 052 373	28 228 528	1 111 800 267	58 427 391	604 188	13 453 186	1 226 565 934
Original Cost	14 052 373	28 228 528	1 110 479 250	58 427 391	604 188	13 453 186	1 225 244 917
Correction of Error - Note 45.1	-	-	1 321 017	-	-	-	1 321 017
Accumulated Depreciation and Impairment Losses	-	(8 965 275)	(524 984 170)	(33 924 026)	(385 002)	(9 760 125)	(578 018 597)
Original Cost	-	(8 302 910)	(523 663 247)	(33 924 026)	(385 002)	(9 760 125)	(576 035 309)
Correction of Error - Note 45.1	-	(662 365)	(1 320 923)	-	-	-	(1 983 288)
Acquisitions	-	-	14 873 305	-	-	120 959	14 994 264
Original Cost	-	-	14 873 305	-	-	120 959	14 994 264
Contributed PPE	-	-	-	-	-	-	-
Capital under Construction	-	-	6 453 243	-	-	-	6 453 243
Original Cost	-	-	6 453 243	-	-	-	6 453 243
IGRAP 2 Adjustment	-	-	38 863 584	-	-	-	38 863 584
Original Cost	-	-	2 012 886	-	-	-	2 012 886
Correction of Error - Note 45.1	-	-	36 850 698	-	-	-	36 850 698
Depreciation	-	(1 032 424)	(37 729 746)	(2 344 134)	(106 987)	(915 725)	(42 129 016)
Normal Depreciation	-	(1 886 540)	(31 446 379)	(2 344 134)	(106 987)	(915 725)	(36 699 764)
Backlog Depreciation previously not recorded - Note 45.1	-	854 116	(6 283 367)	-	-	-	(5 429 251)
Carrying value of disposals	-	-	-	-	-	(1 019)	(1 019)
Cost	-	-	-	-	-	(3 889)	(3 889)
Accumulated Depreciation	-	-	-	-	-	2 870	2 870
Impairment losses	-	-	-	-	-	-	-
Carrying Value at 30 June 2018	14 052 373	18 230 829	609 276 484	22 159 232	112 200	2 897 275	666 728 393
Cost	14 052 373	28 228 528	1 171 990 400	58 427 391	604 188	13 570 256	1 286 873 136
Original Cost	14 052 373	28 228 528	1 171 990 400	58 427 391	604 188	13 570 256	1 286 873 136
Accumulated Depreciation and Impairment Losses	-	(9 997 699)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(620 144 743)
Original Cost	-	(9 997 699)	(562 713 916)	(36 268 159)	(491 989)	(10 672 980)	(620 144 743)

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
2.3 Property, Plant and Equipment which is in the process of being constructed or developed:		
Infrastructure Assets	40 374 990	20 712 543
Roads	3 419 023	706 704
Storm Water	411 906	411 906
Electricity	8 491 139	3 148 796
Water Supply	3 111 800	4 756 674
Sanitation	24 941 122	11 688 461
Total Property, Plant and Equipment under construction	40 374 990	20 712 543

The movements for the year can be reconciled as follows:

Balance at beginning of year	20 712 543	14 259 299
Expenditure during the year	27 265 731	21 326 548
Assets unbundled during the year	(7 603 284)	(14 873 305)
Impairment recognised during the year	-	-
Balance at end of year	40 374 990	20 712 543

2.4 Property, Plant and Equipment that is taking a significantly longer period of time to complete than expected:

Infrastructure Assets	1 812 898	812 898
Roads	400 992	400 992
Storm Water	411 906	411 906
Electricity	1 000 000	-
Total	1 812 898	812 898

The project is taking longer than expected due to reprioritisation of projects and insufficient funds to complete the project in current year.

2.5 Expenditure incurred to repair and maintain Property, Plant and Equipment:

Other materials	5 685 924	2 924 397
Other Expenditure	3 379 087	10 538 801
Total Repairs and Maintenance	12 444 098	13 463 197

2.6 Assets pledged as security:

Leased Property, Plant and Equipment of R11 050 316 (2018: R19 944) is secured for leases as set out in Note 12.

2.7 Contractual commitments for acquisition of Property, Plant and Equipment:

Approved and contracted for:	7 871 170	12 139 582
Infrastructure	7 871 170	12 139 582
Total	7 871 170	12 139 582
This expenditure will be financed from:		
Government Grants	7 871 170	12 139 582
Total	7 871 170	12 139 582

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
2.8 Change in Accounting Estimates:		
The effect of the Change in Accounting estimates due to the review of useful lives are as follows:		
	-	5 038 735
Decrease in depreciation on Infrastructure assets for the year	-	4 654 040
Decrease in depreciation on Land and Buildings assets for the year	-	11 044
Decrease in depreciation on Community assets for the year	-	373 651
Total	-	5 038 735
3. INVESTMENT PROPERTY		
3.1 Net Carrying amount at 1 July	123 444 704	123 444 704
Cost	123 444 704	123 444 704
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
Additions	-	-
Depreciation for the year	-	-
Impairment loss	-	-
Reversal of Impairment loss	-	-
Net Carrying amount at 30 June	123 444 704	123 444 704
Cost	123 444 704	123 444 704
Accumulated Depreciation	-	-
Accumulated Impairment Loss	-	-
3.2 Revenue from Investment Property		
Revenue derived from the rental of Investment Property	288 656	433 830

There is no Investment Property which is in the process of being constructed or developed.

There is no Investment Property that is taking a significantly longer period of time to complete than expected.

There is no Investment Property where construction or development has been halted.

There are no restrictions on the realisability of Investment Property or the remittance of revenue and proceeds of disposal.

There are no contractual obligation to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
4. INTANGIBLE ASSETS		
4.1 Net Carrying amount at 1 July	65 156	92 518
Cost	309 691	309 691
Accumulated Amortisation	(244 535)	(217 173)
Additions	36 371	-
Amortisation	(28 585)	(27 362)
Disposals	-	-
Net Carrying amount at 30 June	72 942	65 156
Cost	346 062	309 691
Accumulated Amortisation	(273 120)	(244 535)

There are no Intangible Assets which is in the process of being constructed or developed.

There are no Intangible Assets that is taking a significantly longer period of time to complete than expected.

There are no Intangible Assets where construction or development has been halted.

No intangible asset were assed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

5. HERITAGE ASSETS

5.1 Net Carrying amount at 1 July	1 038 799	1 038 799
Cost	1 038 799	1 038 799
Accumulated Impairment Loss	-	-
Additions	-	-
Disposals	-	-
Impairment Loss/ Reversal of Impairment Loss	-	-
Net Carrying amount at 30 June	1 038 799	1 038 799
Cost	1 038 799	1 038 799
Accumulated Impairment Loss	-	-
Cultural Artifacts	245	245
Historical Buildings	1 038 554	1 038 554
	<u>1 038 799</u>	<u>1 038 799</u>

The municipality has 245 movable heritage assets located in the Namakwaland Museum. The municipality has not determined the fair value of these items, as the monetary value of these items is immaterial based on management assessment of materiality in terms of paragraph 1.6 of the Accounting Policy.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop Heritage Assets or for repairs, maintenance or enhancements.

There are no Heritage Assets pledged as security for liabilities

There are no Heritage Assets that are used by the municipality for more than one purpose.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Depreciated Replacement Cost was calculated in accordance with Directive 7. Where it was impracticable to determine depreciated replacement cost on GRAP implementation date, 1 July 2015 was used.

There are no Heritage Assets which is in the process of being constructed or developed.

There are no Heritage Assets that is taking a significantly longer period of time to complete than expected.

There are no Heritage Assets where construction or development has been halted.

There are no restrictions on the realisability of Heritage Assets or the remittance of revenue and proceeds of disposal.

	2019 R	2018 R
6. NON-CURRENT RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Receivables with repay arrangements - At amortised cost	3 908 976	4 401 704
Less: Provision for Debt Impairment	(3 908 976)	(4 401 704)
Total Non-Current Receivables from Exchange Transactions	-	-
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	4 401 704	4 287 198
Contribution to provision	-	114 506
VAT on provision	-	-
Reversal of provision	(492 727)	-
Balance at end of year	3 908 976	4 401 704
7. OPERATING LEASE ARRANGEMENTS		
7.1 The Municipality as Lessor		
Operating Lease Asset	26 464	46 660
Correction of Error - Note 45.5	-	6 700
Total Operating Lease Asset	26 464	53 361
<u>Disclosed as follows:</u>		
Non-Current Operating Lease Asset	-	-
Current Operating Lease Asset	26 464	53 361
	26 464	53 361
<u>Reconciliation</u>		
Balance at the beginning of the year	53 361	79 363
Movement during the year	(26 897)	(26 003)
Balance at the end of the year	26 464	53 361
At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:		
Up to 1 Year	142 555	316 641
1 to 5 Years	55 987	198 542
More than 5 Years	-	-
Total Operating Lease Arrangements	198 542	515 184

Operating leases relate to property owned by the municipality with lease terms of between 1 to 3 years, fixed annual escalation rates and an option to extend. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
8. INVENTORY		
Consumables	646 602	556 513
Previously stated	-	547 628
Correction of Error - Note 45.2	-	8 885
Finished Goods	-	-
Housing Stock	-	-
Land	30 171 429	30 171 429
Materials and Supplies	74 482	43 407
Water	245 624	224 114
Total Inventory	31 138 138	30 995 464

The municipality recognised only purification costs in respect of non-purchased purified water inventory.

Land inventory consists of land.

8.1 Inventories recognise as an expense during the year:

Consumables	5 179 265	7 502 872
Materials and Supplies	5 029 716	189 536
Total	10 208 982	7 692 408

8.2 Inventories written down due to losses as identified during the annual stores counts:

Consumables	388 183	20 910
Total	388 183	20 910

No inventories were pledged as security for liabilities.

9. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Electricity	52 058 839	37 710 639
Previously stated	-	36 645 474
Correction of Error - Note 45.3	-	1 065 165
Water	46 651 651	37 938 142
Property Rentals	2 947 541	2 555 022
Waste Management	26 005 304	21 156 747
Waste Water Management	12 497 832	10 194 929
Other Arrears	6 481 511	3 253 551
Total: Receivables from exchange transactions (before provision)	146 642 677	112 809 031
Less: Provision for Debt Impairment	(123 165 131)	(87 923 371)
Previously stated	-	(104 903 362)
Correction of Error - Note 45.3	-	16 979 991
Total: Receivables from exchange transactions (after provision)	23 477 546	24 885 660

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of consumer debtors are not performed in terms of GRAP 104 on initial recognition.

The fair value of receivables approximate their carrying value.

(Electricity): Ageing

Current (0 - 30 days)	5 334 131	4 397 076
31 - 60 Days	1 291 354	1 247 734
61 - 90 Days	484 403	627 644
+ 90 Days	44 948 951	31 438 185
Total	52 058 839	37 710 639

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
<u>(Water): Ageing</u>		
Current (0 - 30 days)	2 894 261	1 363 549
31 - 60 Days	1 570 275	1 158 711
61 - 90 Days	984 174	737 799
+ 90 Days	41 202 941	34 678 083
Total	46 651 651	37 938 142
<u>(Property Rentals): Ageing</u>		
Current (0 - 30 days)	(14 128)	(24 185)
31 - 60 Days	421 392	49 744
61 - 90 Days	78 616	557 064
+ 90 Days	2 461 661	1 972 399
Total	2 947 541	2 555 022
<u>(Waste Management): Ageing</u>		
Current (0 - 30 days)	1 224 882	1 181 603
31 - 60 Days	686 278	626 412
61 - 90 Days	395 366	375 203
+ 90 Days	23 698 778	18 973 529
Total	26 005 304	21 156 747
<u>(Waste Water Management): Ageing</u>		
Current (0 - 30 days)	911 785	849 448
31 - 60 Days	447 362	416 536
61 - 90 Days	228 388	213 628
+ 90 Days	10 910 297	8 715 316
Total	12 497 832	10 194 929
<u>(Other): Ageing</u>		
Current (0 - 30 days)	110 924	102 317
31 - 60 Days	96 652	87 828
61 - 90 Days	62 565	55 123
+ 90 Days	6 211 370	3 008 284
Total	6 481 511	3 253 551
<u>(Total): Ageing</u>		
Current (0 - 30 days)	10 461 855	7 869 808
31 - 60 Days	4 513 313	3 586 965
61 - 90 Days	2 233 512	2 566 462
+ 90 Days	129 433 997	98 785 796
Total	146 642 677	112 809 031
<u>Reconciliation of Provision for Debt Impairment</u>		
Balance at beginning of year	87 923 371	85 855 771
Contribution to provision	30 645 008	1 797 913
VAT on provision	4 596 751	269 687
Reversal of provision	-	-
Balance at end of year	123 165 131	87 923 371

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
The total amount of this provision is R123 165 131 (2018:R87 923 371) and consist of:		
Services	123 165 131	87 923 371
Other Debtors	-	-
Total Provision for Debt Impairment on Receivables from exchange transactions	123 165 131	87 923 371
<u>Ageing of amounts past due but not impaired:</u>		
1 month past due	4 513 313	3 586 965
2+ months past due	18 964 233	21 298 695
	23 477 546	24 885 660

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

10. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Taxes - Rates	37 943 971	31 285 569
Fines	1 865 924	1 339 474
Unauthorised, Irregular, Fruitless and Wasteful Expenditure	414 945	607 687
Other Receivables	1 110 711	652 664
	41 335 551	33 885 393
Less: Provision for Debt Impairment	(34 188 882)	(25 274 570)
Previously stated	-	(29 260 320)
Correction of Error - Note 45.4	-	3 985 750
Total Receivables from non-exchange transactions	7 146 669	8 610 823

The fair value of other receivables approximate their carrying value.

Rates debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of rates debtors are not performed in terms of GRAP 104 on initial recognition.

(Rates): Ageing

Current (0 - 30 days)	2 779 998	2 439 557
31 - 60 Days	1 364 830	1 339 130
61 - 90 Days	641 517	605 654
+ 90 Days	33 157 626	26 901 228
Total	37 943 971	31 285 569

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2019				
Current (0 - 30 days)	2 084 501	706 726	(11 229)	2 779 998
31 - 60 Days	1 033 804	329 933	1 093	1 364 830
61 - 90 Days	471 461	169 569	487	641 517
+ 90 Days	27 877 861	5 158 046	121 719	33 157 626
Sub-total	31 467 627	6 364 274	112 070	37 943 971
Less: Provision for Debt Impairment				(32 363 746)
Total debtors by customer classification				5 580 224

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Summary of Debtors (Rates) by Customer Classification

	<u>Residential</u>	<u>Industrial/ Commercial</u>	<u>National and Provincial Government</u>	<u>Total</u>
30 June 2018				
Current (0 - 30 days)	1 904 005	624 824	(88 953)	2 439 876
31 - 60 Days	849 389	489 279	462	1 339 130
61 - 90 Days	422 563	182 686	404	605 653
+ 90 Days	23 067 961	3 760 172	72 777	26 900 910
Sub-total	26 243 918	5 056 961	(15 310)	31 285 569
Less: Provision for Debt Impairment				(23 969 015)
Total debtors by customer classification				7 316 554

Reconciliation of Provision for Debt Impairment

	2019 R	2018 R
Balance at beginning of year	25 274 570	23 119 183
Contribution to provision	8 914 312	2 155 387
Reversal of provision	-	-
Balance at end of year	34 188 882	25 274 570

The total amount of this provision is R34 188 882 (2018:R25 274 570) and consist of:

	2019 R	2018 R
Taxes	32 363 746	23 969 015
Fines	1 825 136	1 305 556
Total Provision for Debt Impairment on Trade Receivables from non-exchange transactions	34 188 882	25 274 570

Ageing of amounts past due but not impaired:

	2019 R	2018 R
1 month past due	1 364 830	1 339 130
2+ months past due	2 390 259	4 671 868
	3 755 089	6 010 998

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

The outstanding fine receivable balance at year end is reduced to its recoverable amount by recognising a provision for impairment against the receivable raised. This is considered to be a subsequent event. The provision for impairment is based on current and past collection rates applicable to fines.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
11. BANK ACCOUNTS		
11.1 <u>Cash and Cash Equivalents</u>		
Current Accounts	8 278 981	-
Call Deposits and Investments	21 164 018	16 030 667
Cash Float	20 000	27 000
Cash On-hand	1 600	1 600
Total Cash and Cash Equivalents - Assets	29 464 599	16 059 267
11.2 <u>Short-term Investments</u>		
Call Deposits	27 006	27 006
Total Short-term Investments	27 006	27 006
11.3 <u>Liabilities</u>		
Current Accounts	-	2 432 766
Previously stated	-	2 384 317
Correction of Error - Note 45.6	-	(29 461)
Correction of Error - Note 45.6	-	29 270
Correction of Error - Note 45.6	-	29 663
Correction of Error - Note 45.6	-	18 977
Total Cash and Cash Equivalents - Liabilities	-	2 432 766

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

Call Investments Deposits to an amount of R20 923 486 are held to fund the Unspent Conditional Grants (2018: R16 030 667).

The municipality has the following bank accounts:

Current Accounts

ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):	8 278 981	(2 432 766)
	8 278 981	(2 432 766)

Call Deposits and Investments

ABSA Bank Limited - Account Number 9270778034 (Library):	850 000	1 290 592
ABSA Bank Limited - Account Number 9249138970 (FMG):	800 649	939
ABSA Bank Limited - Account Number 9233473372 (Land Sales):	2 407 268	965 979
ABSA Bank Limited - Account Number 9233471702 (MIG):	1 731 175	939
ABSA Bank Limited - Account Number 9233473306 (Housing):	300 949	949
ABSA Bank Limited - Account Number 9233472871 (DME):	5 428 265	7 218 140
ABSA Bank Limited - Account Number 9255092704 (NDFT):	550 000	550 000
ABSA Bank Limited - Account Number 9259915702 (MSIG):	975	975
ABSA Bank Limited - Account Number 9276734547 (EPWP):	1 000 939	90 646
ABSA Bank Limited - Account Number 9313614189 (ACIP):	1 063 308	1 392 133
ABSA Bank Limited - Account Number 9313614430 (LG SETA):	170 729	88 084
ABSA Bank Limited - Account Number 9338917532 (Drought Relief):	6 859 760	4 431 291
	21 164 018	16 030 667

Details of current accounts are as follow:

ABSA Bank Limited - Account Number 4052704442 (Primary Bank Account):

Cash book balance at beginning of year	(2 432 766)	3 087 224
Cash book balance at end of year	8 278 981	(2 432 766)

Bank statement balance at beginning of year	1 115 373	3 346 499
Bank statement balance at end of year	8 260 532	1 115 373

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Details of call investment accounts are as follow:

	2019 R	2018 R
ABSA Bank Limited - Account Number 9270778034 (Library):		
Cash book balance at beginning of year	1 290 592	2 386 308
Cash book balance at end of year	850 000	1 290 592
Bank statement balance at beginning of year	1 290 592	2 386 308
Bank statement balance at end of year	850 000	1 290 592
ABSA Bank Limited - Account Number 9249138970 (FMG):		
Cash book balance at beginning of year	939	945
Cash book balance at end of year	800 649	939
Bank statement balance at beginning of year	939	945
Bank statement balance at end of year	800 649	939
ABSA Bank Limited - Account Number 9233473372 (Land Sales):		
Cash book balance at beginning of year	965 979	700 975
Cash book balance at end of year	2 407 268	965 979
Bank statement balance at beginning of year	965 979	700 975
Bank statement balance at end of year	2 407 268	965 979
ABSA Bank Limited - Account Number 9233471702 (MIG):		
Cash book balance at beginning of year	939	4 062 234
Cash book balance at end of year	1 731 175	939
Bank statement balance at beginning of year	939	4 062 234
Bank statement balance at end of year	1 731 175	939
ABSA Bank Limited - Account Number 9233473306 (Housing):		
Cash book balance at beginning of year	949	441 505
Cash book balance at end of year	300 949	949
Bank statement balance at beginning of year	949	441 505
Bank statement balance at end of year	300 949	949
ABSA Bank Limited - Account Number 9233472871 (DME):		
Cash book balance at beginning of year	7 218 140	920
Cash book balance at end of year	5 428 265	7 218 140
Bank statement balance at beginning of year	7 218 140	920
Bank statement balance at end of year	5 428 265	7 218 140
ABSA Bank Limited - Account Number 9255092704 (NDFT):		
Cash book balance at beginning of year	550 000	550 000
Cash book balance at end of year	550 000	550 000
Bank statement balance at beginning of year	550 000	550 000
Bank statement balance at end of year	550 000	550 000
ABSA Bank Limited - Account Number 9259915702 (MSIG):		
Cash book balance at beginning of year	975	975
Cash book balance at end of year	975	975
Bank statement balance at beginning of year	975	975
Bank statement balance at end of year	975	975
ABSA Bank Limited - Account Number 9276734547 (EPWP):		
Cash book balance at beginning of year	90 646	945
Cash book balance at end of year	1 000 939	90 646
Bank statement balance at beginning of year	90 646	945
Bank statement balance at end of year	1 000 939	90 646

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
ABSA Bank Limited - Account Number 9313614189 (ACIP):		
Cash book balance at beginning of year	1 392 133	975
Cash book balance at end of year	<u>1 063 308</u>	<u>1 392 133</u>
Bank statement balance at beginning of year	1 392 133	975
Bank statement balance at end of year	<u>1 063 308</u>	<u>1 392 133</u>
ABSA Bank Limited - Account Number 9313614430 (LG SETA):		
Cash book balance at beginning of year	88 084	24 250
Cash book balance at end of year	<u>170 729</u>	<u>88 084</u>
Bank statement balance at beginning of year	88 084	24 250
Bank statement balance at end of year	<u>170 729</u>	<u>88 084</u>
ABSA Bank Limited - Account Number 9338917532 (Drought Relief):		
Cash book balance at beginning of year	4 431 291	-
Cash book balance at end of year	<u>6 859 760</u>	<u>4 431 291</u>
Bank statement balance at beginning of year	4 431 291	-
Bank statement balance at end of year	<u>6 859 760</u>	<u>4 431 291</u>
12. LONG-TERM BORROWINGS		
Annuity Loans	-	-
Capitalised Lease Liability	<u>11 210 848</u>	<u>20 238</u>
	11 210 848	20 238
Less: Current Portion transferred to Current Liabilities	(3 663 670)	(20 238)
Annuity Loans	-	-
Capitalised Lease Liability	<u>(3 663 670)</u>	<u>(20 238)</u>
Total Long-term Borrowings	<u>7 547 178</u>	<u>-</u>
12.1 The obligations under finance leases are scheduled below:		Minimum payments
Amounts payable under finance leases:		
Payable within one year	4 933 819	20 491
Payable within two to five years	8 534 043	-
Payable after five years	-	-
	<u>13 467 861</u>	<u>20 491</u>
Less: Future finance obligations	<u>(2 257 014)</u>	<u>(253)</u>
Present value of finance lease obligations	<u>11 210 848</u>	<u>20 238</u>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Hire Purchases and Leases are secured by property, plant and equipment - Note 2.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
13. NON-CURRENT PROVISIONS		
Provision for Rehabilitation of Landfill-sites	49 232 691	46 794 687
Total Non-current Provisions	49 232 691	46 794 687
13.1 Landfill Sites		
Balance 1 July	76 304 808	25 727 885
Contribution for the year	3 975 481	6 131 522
Correction of Error - Note 45.7	-	27 229 283
Correction of Error - Note 45.8	-	17 216 117
Total provision 30 June	80 280 288	76 304 808
Less: Transfer of Current Portion to Current Provisions - Note 16	(31 047 598)	(29 510 121)
Previously stated	-	(12 294 004)
Correction of Error - Note 45.8	-	(17 216 117)
Balance 30 June	49 232 690	46 794 687

The estimated rehabilitation costs for each of the existing sites are based on the current rates for construction costs. The assumptions used are as follows:

	Bergsig	Nababeep	Steinkopf
Rehabilitation Area (m ²)	29 507	10 944	49 564
Preliminary and General (Rand)	1 751 131	631 059	1 904 525
Site Clearance and Preparation (Rand)	90 882	33 708	152 657
Storm Water Control Measures (Rand)	3 189 725	991 595	1 459 360
Capping (Rand)	6 358 846	2 341 779	10 515 936
Gas Management (Rand)	-	-	-
Leachate Management (Rand)	778 867	256 148	482 971
Fencing (Rand)	2 089 757	884 336	992 823
Other (Rand)	1 012 611	1 081 228	1 089 474
Contingencies (Rand)	1 425 921	513 862	1 550 827
Engineering: Professional Fees (Rand)	1 176 385	423 936	1 279 432
Site Supervision - Engineer's Representative (Rand)	348 050	180 956	557 330
Site Supervision - Environmental Officer & OHS Agent (Rand)	173 907	98 005	264 878
	Komaggas	Concordia	Bulletrap
Rehabilitation Area (m ²)	7 167	7 256	5 612
Preliminary and General (Rand)	465 835	479 534	358 170
Site Clearance and Preparation (Rand)	22 074	22 348	17 285
Storm Water Control Measures (Rand)	762 158	843 328	515 172
Capping (Rand)	1 537 523	1 571 604	1 201 064
Gas Management (Rand)	-	-	-
Leachate Management (Rand)	265 949	237 947	188 475
Fencing (Rand)	739 685	750 017	636 363
Other (Rand)	956 360	946 142	1 083 227
Contingencies (Rand)	379 322	390 478	291 653
Engineering: Professional Fees (Rand)	312 941	322 144	240 614
Site Supervision - Engineer's Representative (Rand)	197 678	184 574	162 974
Site Supervision - Environmental Officer & OHS Agent (Rand)	124 217	107 674	116 073
	Rooiwal	Vioolsdrift	Springbok
Rehabilitation Area (m ²)	1 596	13 855	8 135
Preliminary and General (Rand)	183 742	804 308	449 001
Site Clearance and Preparation (Rand)	4 916	42 673	25 056
Storm Water Control Measures (Rand)	283 064	1 085 026	549 393
Capping (Rand)	511 952	3 014 501	1 735 135
Gas Management (Rand)	3 288	-	-
Leachate Management (Rand)	115 668	367 226	199 209
Fencing (Rand)	393 557	1 235 630	698 356
Other (Rand)	933 269	965 023	1 012 611
Contingencies (Rand)	149 619	654 936	365 615
Engineering: Professional Fees (Rand)	123 435	540 323	301 632
Site Supervision - Engineer's Representative (Rand)	156 166	266 652	198 203
Site Supervision - Environmental Officer & OHS Agent (Rand)	112 482	165 551	119 561

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

The municipality has an obligation to rehabilitate landfill sites at the end of the expected useful life of the asset. The estimate cost and date of decommission of the sites are as follows:

Location	Estimated decommission date	2019	2018
		R	R
Bergsig	2023	22 539 974	11 359 552
Nababeep	2033	15 141 654	4 135 889
Steinkopf	2042	65 124 004	9 615 585
Komaggas	2019	5 763 743	5 813 380
Concordia	2033	11 922 953	2 587 588
Bulletrap	2019	4 811 069	1 853 654
Rooiwal	2019	2 971 158	6 725 007
Violsdrift	2019	9 141 848	2 323 359
Springbok	2019	5 653 774	2 106 911
		143 070 177	46 520 924

14. NON-CURRENT EMPLOYEE BENEFITS

Provision for Post Retirement Health Care Benefits	17 144 338	19 055 675
Provision for Long Service Awards	6 284 246	4 683 140
Total Non-current Employee Benefits	23 428 584	23 738 815

Post Retirement Health Care Benefits

Balance 1 July	19 429 585	17 896 191
Contribution for the year	2 797 920	2 720 368
Expenditure for the year	(342 563)	(189 913)
Actuarial Loss/(Gain)	(4 373 213)	(997 061)

Total provision 30 June **17 511 729** **19 429 585**

Less: Transfer of Current Portion to Current Provisions - Note 17 (367 391) (373 910)

Balance 30 June **17 144 338** **19 055 675**

Long Service Awards

Balance 1 July	5 272 877	5 262 103
Contribution for the year	2 395 046	816 322
Expenditure for the year	(270 754)	(431 467)
Actuarial Loss/(Gain)	(185 616)	(374 081)

Total provision 30 June **7 211 553** **5 272 877**

Less: Transfer of Current Portion to Current Provisions - Note 17 (927 307) (589 737)

Balance 30 June **6 284 246** **4 683 140**

14.1 Provision for Post Retirement Health Care Benefits

The Post Retirement Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

In-service (employee) members	82	82
In-service (employee) non-members	-	-
Continuation members (e.g. Retirees, widows, orphans)	8	9
Total Members	90	91

The liability in respect of past service has been estimated to be as follows:

In-service (employee) members	12 240 889	14 386 810
In-service non-members	-	-
Continuation (retiree and widow) members	5 270 840	5 042 775
Total Liability	17 511 729	19 429 585

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

LA Health
Key Health, and
SAMWU Med

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

The Current-service Cost for the ensuing year is estimated to be R584 700, whereas the Interest Cost for the next year is estimated to be R1 676 000.

	2019 %	2018 %
Key actuarial assumptions used:		
i) Rate of interest		
Discount rate	9.67%	9.77%
Health Care Cost Inflation Rate	7.06%	7.52%
Net Discount Rate	2.44%	2.09%

ii) Mortality rates

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

iii) Normal retirement age

The normal retirement age for employees of the municipality is 62 years.

iv) Expected rate of salary increases

2019/2020 - CPI + 1,5%

The three-year Salary and Wage Collective Agreement ends on 30 June 2021.

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	17 511 729	19 429 585
Fair value of plan assets	-	-
	<u>17 511 729</u>	<u>19 429 585</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present Value of unfunded obligations	-	-
Net liability	<u>17 511 729</u>	<u>19 429 585</u>

Reconciliation of present value of fund obligation:

	2019	2018
Present value of fund obligation at the beginning of the year	19 429 585	17 896 191
Total expenses	2 455 357	2 488 097
Current service cost	917 489	948 938
Interest Cost	1 880 431	1 771 430
Benefits Paid	(342 563)	(232 271)
Actuarial (gains)/losses	(4 373 213)	(954 703)
Present value of fund obligation at the end of the year	<u>17 511 729</u>	<u>19 429 585</u>

	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Assumption			
Central Assumptions	12.241	5.271	17.512

The effect of movements in the assumptions are as follows:

	Change	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)	% change
Assumption					
Health care inflation rate	+1%	14.623	5.931	20.554	17.00%
Health care inflation rate	-1%	10.344	4.725	15.069	-14.00%
Discount rate	+1%	10.400	4.741	15.141	-14.00%
Discount rate	-1%	14.583	5.920	20.503	17.00%
Post-retirement mortality	-1 year	12.613	5.435	18.048	3.00%
Average retirement age	-1 year	13.164	5.271	18.435	5.00%
Continuation of membership at retirement	-10%	10.609	5.271	15.880	-9.00%

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

	Current Service Cost (R)	Interest Cost (R)	Total (R)
Assumption			
Central Assumptions	584 700	1 676 000	2 260 700

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
Health care inflation rate	+1%	723 300	1 970 100	2 693 400	19.00%
Health care inflation rate	-1%	477 200	1 439 900	1 917 100	15.00%
Post-employment mortality	-1 year	602 000	1 727 900	2 329 900	3.00%
Average retirement age	-1 year	554 700	1 765 300	2 320 000	3.00%
Continuation of membership at retirement	-10%	506 700	1 518 200	2 024 900	-10.00%

	2019 Rm	2018 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	(0.430)	0.757
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	2.848	(1.593)	(1.085)
Assets: Gain / (loss)	-	-	-

14.2 Provision for Long Service Bonuses

The Long Service Bonus plans are defined benefit plans. As at year end, 239 employees were eligible for Long Service Bonuses.

The Current-service Cost for the ensuing year is estimated to be R549 200 whereas the Interest Cost for the next year is estimated to be R542 600.

Key actuarial assumptions used:	2019 %	2018 %
i) Rate of interest		
Discount rate	8.03%	8.49%
General earnings inflation rate (long-term)	5.47%	6.12%
Net effective discount rate	2.43%	2.23%

	2019 R	2018 R
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	7 211 553	5 272 877
Fair value of plan assets	-	-
	<u>7 211 553</u>	<u>5 272 877</u>
Unrecognised past service cost	-	-
Unrecognised actuarial gains/(losses)	-	-
Present value of unfunded obligations	-	-
Net liability/(asset)	<u><u>7 211 553</u></u>	<u><u>5 272 877</u></u>

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
Reconciliation of present value of fund obligation:		
Present value of fund obligation at the beginning of the year	5 272 877	5 262 103
Total expenses	2 124 292	314 310
Current service cost	398 847	414 604
Change in Earning Definition	1 573 056	-
Interest Cost	423 143	401 718
Benefits Paid	(270 754)	(502 012)
Actuarial (gains)/losses	(185 616)	(303 536)
Present value of fund obligation at the end of the year	<u>7 211 553</u>	<u>5 272 877</u>

Sensitivity Analysis on the Accrued Liability on 30 June 2019

Assumption	Change	Liability (Rm)	% change
Central assumptions		7.212	
General earnings inflation rate	+1%	7.622	6.00%
General earnings inflation rate	-1%	6.836	-5.00%
Discount rate	+1%	6.815	-5.00%
Discount rate	-1%	7.652	6.00%
Average retirement age	-2 yrs	6.390	-11.00%
Average retirement age	2 yrs	7.836	9.00%
Withdrawal rates	-50%	8.070	12.00%

Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

Assumption	Current Service Cost (R)	Interest Cost (R)	Total (R)
Central Assumptions	549 200	542 600	1 091 800

The effect of movements in the assumptions are as follows:

Assumption	Change	Current Service Cost (R)	Interest Cost (R)	Total (R)	% change
General earnings inflation rate	+1%	586 400	575 500	1 161 900	6%
General earnings inflation rate	-1%	515 400	512 400	1 027 800	-6%
Discount rate	+1%	518 600	574 500	1 093 100	0%
Discount rate	-1%	583 400	505 900	1 089 300	0%
Post-retirement mortality	-2 years	499 800	478 600	978 400	-10%
Average retirement age	+2 years	596 800	591 200	1 188 000	9%
Withdrawal Rate	-50%	634 700	611 500	1 246 200	14%

	2019 Rm	2018 Rm
Experience adjustments were calculated as follows:		
Liabilities: (Gain) / loss	0.167	(0.244)
Assets: Gain / (loss)	-	-

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2017 Rm	2016 Rm	2015 Rm
Liabilities: (Gain) / loss	0.254	0.385	(0.422)
Assets: Gain / (loss)	-	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

14.3 Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Joint Retirement Fund is a Multi Employer fund defined as defined benefit plan, it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

LA RETIREMENT FUND (PREVIOUSLY CAPE JOINT PENSION FUND)

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund has a funding level of 103,7% (30 June 2017 - 102,6%).

	2019 R	2018 R
Contributions paid recognised in the Statement of Financial Performance	31 665	29 111

DEFINED CONTRIBUTION FUNDS

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Contributions paid recognised in the Statement of Financial Performance

Municipal Councillors Pension Fund	377 750	364 193
Consolidated Retirement Fund	1 716 323	1 610 637
Umbrella Pension Fund	682 672	632 683
SAMWU National Provident Fund	5 378 640	5 278 116
	8 155 385	7 885 629

15. CONSUMER DEPOSITS

Electricity	1 506 791	1 466 353
Rental Properties	9 175	9 175
Water	1 775 335	1 648 862
Library Books	3 072	1 839
Total Consumer Deposits	3 294 373	3 126 230

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding amount.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
16. PROVISIONS		
Current Portion of Rehabilitation of Landfill Sites - Note 13	31 047 598	29 510 121
Previously stated	-	12 294 004
Correction of Error - Note 45.8	-	17 216 117
Total Provisions	31 047 598	29 510 121

The movement in current provisions are reconciled as follows:

16.1 Rehabilitation of Landfill Sites

Balance at beginning of year	29 510 121	9 169 630
Correction of Error - Note 45.8	-	17 216 117
Contribution to provision	1 537 477	3 124 374
Expenditure incurred	-	-
Balance at end of year	31 047 598	29 510 121

17. CURRENT EMPLOYEE BENEFITS

Staff Bonuses	1 899 069	1 803 182
Staff Leave	6 047 101	5 691 804
Shortfall in Cape Joint Pension Fund	302 338	302 338
Current Portion of Non-Current Provisions	1 294 698	963 647
Current Portion of Post Retirement Benefits - Note 14	367 391	373 910
Current Portion of Long-Service Provisions - Note 14	927 307	589 737
Total Provisions	9 543 206	8 760 970

The movement in current provisions are reconciled as follows:

17.1 Staff Bonuses

Balance at beginning of year	1 803 182	1 695 990
Contribution to current portion	4 180 692	4 068 063
Previously stated	-	4 044 705
Correction of Error - Note 45.9	-	23 358
Expenditure incurred	(4 084 805)	(3 960 871)
Balance at end of year	1 899 069	1 803 182

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

17.2 Staff Leave

Balance at beginning of year	5 691 804	5 083 541
Contribution to current portion	1 399 425	1 708 621
Previously stated	-	1 790 568
Correction of Error - Note 45.9	-	(81 946)
Expenditure incurred	(1 044 128)	(1 100 359)
Balance at end of year	6 047 101	5 691 804

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
17.3 <u>Shortfall in Cape Joint Pension Fund</u>		
Balance at beginning of year	302 338	302 338
Contribution to current portion	-	-
Balance at end of year	<u>302 338</u>	<u>302 338</u>

Actuaries have investigate the investment return of the Fund for the year ended 30 June 2009. It was reported that the established investment return was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will make up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets. Provision is made for the pro-rata portion owed by the Municipality.

For more information regarding the provisions for Post Retirement Benefits and Long-term Service Awards - Refer to Note 14 to the Financial Statements.

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade Payables	264 196 016	207 933 413
Previously stated	-	207 289 217
Correction of Error - Note 45.10	-	(129 118)
Correction of Error - Note 45.10		357 225
Correction of Error - Note 45.10		407 561
Correction of Error - Note 45.10		8 527
Control, Clearing and Interface Accounts	14 950 338	3 927 965
Other Payables	2 243 105	7 261 269
Previously stated	-	6 560 572
Correction of Error - Note 45.10	-	700 697
Retentions	2 033 273	1 716 601
Previously stated	-	2 021 983
Correction of Error - Note 45.10	-	129 118
Correction of Error - Note 45.10	-	(434 499)
Total Trade Payables	<u>283 422 732</u>	<u>220 839 248</u>

Payables are being recognised net of any discounts.

Payables are paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of trade and other payables on initial recognition is not deemed necessary.

The carrying value of trade and other payables approximates its fair value.

All payables are unsecured.

19. UNSPENT TRANSFERS AND SUBSIDIES

Unspent Transfers and Subsidies	12 727 195	13 402 799
National Government Grants	7 254 391	7 252 899
Provincial Government Grants	5 432 442	6 109 538
District Municipality	-	-
Other Sources	40 362	40 362
Less: Unpaid Transfers and Subsidies	-	-
National Government Grants	-	-
Provincial Government Grants	-	-
District Municipality	-	-
Other Sources	-	-
Total Unspent Transfers and Subsidies	<u>12 727 195</u>	<u>13 402 799</u>

See appendix "D" for reconciliation of grants from other spheres of government. The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent grants can mainly be attributed to projects that are work-in-progress on the relevant financial year-ends.

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
20. TAXES		
20.1 VAT Payable	(15 039 107)	731 663
VAT Output in Suspense	-	-
Total VAT Payable	(15 039 107)	731 663
20.2 VAT Receivable	771 021	(11 864 835)
VAT Input in Suspense	35 361 218	24 090 245
Total VAT Receivable	36 132 239	12 225 409
20.3 Net VAT (Payable)/Receivable	21 093 132	12 957 073
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.		
21. SHORT-TERM BORROWINGS		
The Municipality has no short term borrowings.		
22. NET ASSET RESERVES		
RESERVES	-	(0)
Capital Replacement Reserve	-	(0)
Total Net Asset Reserve and Liabilities	-	(0)
23. PROPERTY RATES		
<u>Actual</u>		
Rateable Land and Buildings	50 641 127	48 958 749
Business and Commercial Property	11 289 224	11 074 860
Communal Land	-	2 641 923
Farm Properties	634 206	603 579
Industrial Property	2 470 350	13 387
Mining Properties	333 425	-
Municipal Properties	14 726	11 655
Public Benefit Organisations	3 276	3 668 614
Residential Properties	30 250 735	28 288 840
Small Holdings	-	361 290
State-owned Properties	5 538 248	2 193 103
Agricultural Property	106 936	101 499
Less: Revenue Forgone	(3 170 366)	(3 793 134)
Total Property Rates	47 470 760	45 165 614

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
<u>Valuations - 1 July 2018</u>		
Rateable Land and Buildings	2 878 707 300	2 911 492 800
Business and Commercial Property	431 561 000	736 732 000
Farm Properties	50 126 500	-
Industrial Property	94 465 000	-
Mining Properties	12 539 500	-
Municipal Properties	2 520 000	2 387 500
Residential Properties	1 587 362 300	1 609 098 300
State-owned Properties	213 091 500	-
Agricultural Property	467 243 000	538 197 500
Other Categories	19 798 500	25 077 500
Less: Revenue Forgone		
Total Assessment Rates	2 878 707 300	2 911 492 800

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 4 years. The last valuation came into effect on 1 July 2013. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Basic Rate

Residential	0,01888 c/R	0,017930 c/R
Commercial and Industrial	0,02599 c/R	0,024680 c/R
Agricultural	0,00081 c/R	0,000770 c/R

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential -	The first R15 000 on the valuation is exempted.
Indigents -	10%
Pensioners -	20%

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

24. GOVERNMENT GRANTS AND SUBSIDIES

Government Grants and Subsidies - Operating	47 787 943	44 765 962
Equitable Share	43 917 000	40 403 000
Expanded Public Works Programme Integrated Grant	-	1 000 000
Local Government Financial Management Grant	2 215 000	2 145 000
Municipal Infrastructure Grant	242 209	-
Libraries, Archives and Museums	900 751	1 217 962
Water Services Infrastructure Grant	272 452	-
Namakwa DM	240 532	-
Government Grants and Subsidies - Capital	31 422 839	24 821 101
Integrated National Electrification Programme Grant	6 143 694	5 283 476
Municipal Infrastructure Grant	9 390 489	14 774 000
Expanded Public Works Programme Integrated Grant	999 532	-
Municipal Disaster Recovery Grant	10 442 459	-
Water Services Infrastructure Grant	4 446 664	4 763 625
Total Government Grants and Subsidies	79 210 781	69 587 063

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
Included in above are the following grants and subsidies received:		
<u>Unconditional</u>	43 917 000	40 403 000
Equitable Share	43 917 000	40 403 000
<u>Conditional</u>	35 293 781	29 184 063
Expanded Public Works Programme Integrated Grant	999 532	1 000 000
Local Government Financial Management Grant	2 215 000	2 145 000
Libraries, Archives and Museums	900 751	1 217 962
Municipal Disaster Recovery Grant	10 442 459	-
LG SETA	-	-
Integrated National Electrification Programme Grant	6 143 694	5 283 476
Municipal Infrastructure Grant	9 632 698	14 774 000
Water Services Infrastructure Grant	4 719 116	4 763 625
Namakwa DM	240 532	-
Total Government Grants and Subsidies	79 210 781	69 587 063
Revenue recognised per vote as required by Section 123 (c) of the MFMA:		
Equitable share	43 917 000	40 403 000
Executive and Council	999 532	-
Finance and Administration	2 215 000	2 145 000
Community and Social Services	900 751	1 217 962
Road Transport	-	1 000 000
Energy Sources	6 143 694	5 283 476
Water Management	15 161 575	4 763 625
Waste Water Management	9 873 230	14 774 000
Total Government Grants and Subsidies	79 210 781	69 587 063

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

24.1 Equitable Share

Opening balance	-	-
Correction of Error	-	-
Grants received	43 917 000	40 403 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(43 917 000)	(40 403 000)
Conditions met - Capital	-	-
Conditions still to be met	-	-

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
24.2 <u>Local Government Financial Management Grant (FMG)</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	2 215 000	2 145 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(2 215 000)	(2 145 000)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

24.3 <u>Municipal Infrastructure Grant (MIG)</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	11 497 000	14 774 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(242 209)	-
Conditions met - Capital	(9 390 489)	(14 774 000)
Conditions still to be met	<u>1 864 302</u>	<u>-</u>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

24.4 <u>Integrated National Electrification Grant</u>		
Opening balance	7 016 524	-
Correction of Error	-	-
Grants received	4 000 000	12 300 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(6 143 694)	(5 283 476)
Conditions still to be met	<u>4 872 830</u>	<u>7 016 524</u>

The National Electrification Grant was used for electrical connections in previously disadvantaged areas.

24.5 <u>Library Grant</u>		
Opening balance	105 751	473 713
Correction of Error	-	-
Grants received	795 000	850 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(900 751)	(1 217 962)
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>105 751</u>

The grant was used to finance library activities.

24.6 <u>Expanded Public Works Programme (EPWP)</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	1 000 000	1 000 000
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	(1 000 000)
Conditions met - Capital	(999 532)	-
Conditions still to be met	<u>468</u>	<u>-</u>

The grant was used for job creation.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
24.7 <u>Wade Project</u>		
Opening balance	40 362	40 362
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>40 362</u>	<u>40 362</u>

The grant was used for water infrastructure projects in the Buffelsriver.

24.8 Department of Water Affairs (WSACDBP)

Opening balance	510 747	510 747
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>510 747</u>	<u>510 747</u>

The grant was allocated for the refurbishment of water infrastructure.

24.9 LG Seta

Opening balance	88 138	1 807
Correction of Error	-	-
Grants received	82 645	86 331
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>170 784</u>	<u>88 138</u>

The grant was allocated for skills development.

24.10 Department Sport, Arts and Culture

Opening balance	308 500	308 500
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>308 500</u>	<u>308 500</u>

The grant was received for the building and maintenance of sport fields in the district.

24.11 Swimming Pool

Opening balance	450 000	450 000
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>450 000</u>	<u>450 000</u>

The grant was received for the building of a swimming pool in the district.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
24.12 <u>World Cup 2010</u>		
Opening balance	52 139	52 139
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>52 139</u>	<u>52 139</u>

The grant was allocated for activities of the 2010 Soccer World Cup.

24.13 <u>Fire Equipment</u>		
Opening balance	52 264	52 264
Correction of Error	-	-
Grants received	-	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	-	-
Conditions still to be met	<u>52 264</u>	<u>52 264</u>

The grant was allocated for the maintenance and upgrade of fire equipment in the area of the municipality.

24.14 <u>Namakwa DM</u>		
Opening balance	-	-
Correction of Error	-	-
Grants received	240 532	-
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(240 532)	-
Conditions met - Capital	-	-
Conditions still to be met	<u>-</u>	<u>-</u>

The grant was used for maintenance projects.

24.15 <u>Water Services Infrastructure Grant</u>		
Opening balance	236 375	-
Correction of Error	-	-
Grants received	5 000 000	5 000 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(272 452)	-
Conditions met - Capital	(4 446 664)	(4 763 625)
Conditions still to be met	<u>517 259</u>	<u>236 375</u>

The grant was used for water infrastructure projects.

24.16 <u>Drought Relief</u>		
Opening balance	4 542 000	-
Correction of Error	-	-
Grants received	9 788 000	4 542 000
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	-	-
Conditions met - Capital	(10 442 459)	-
Conditions still to be met	<u>3 887 541</u>	<u>4 542 000</u>

The grant was used for water infrastructure projects.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
24.17 Total Grants		
Opening balance	13 402 800	1 889 532
Correction of Error	-	-
Grants received	78 535 177	81 100 331
Interest received	-	-
Repaid to National Revenue Fund	-	-
Conditions met - Operating	(47 787 943)	(44 765 962)
Conditions met - Capital	(31 422 839)	(24 821 101)
Conditions still to be met/(Grant expenditure to be recovered)	<u>12 727 195</u>	<u>13 402 800</u>
<u>Disclosed as follows:</u>		
Unspent Conditional Government Grants and Receipts	12 727 195	13 402 800
Unpaid Conditional Government Grants and Receipts	-	-
Total	<u>12 727 195</u>	<u>13 402 800</u>
25. PUBLIC CONTRIBUTIONS AND DONATIONS		
Donations	-	-
Total Public Contributions and Donations	<u>-</u>	<u>-</u>
26. LICENCES AND PERMITS		
Game	-	-
Trading	79 880	96 606
Road and Transport	1 199 823	1 208 678
Total Licences and Permits	<u>1 279 703</u>	<u>1 305 284</u>
<u>Disclosed as follows:</u>		
Revenue from Non-Exchange Transactions	1 279 703	1 305 284
Revenue from Exchange Transactions	-	-
Total Licences and Permits	<u>1 279 703</u>	<u>1 305 284</u>
27. SERVICE CHARGES		
Electricity	80 125 424	73 228 623
Service Charges	80 465 011	73 981 268
Less: Revenue Forgone	(339 588)	(752 646)
Water	29 274 384	26 995 253
Service Charges	34 173 373	31 466 192
Less: Revenue Forgone	(4 898 989)	(4 470 939)
Waste Management	13 080 423	12 467 941
Service Charges	19 844 950	18 568 721
Less: Revenue Forgone	(6 764 528)	(6 100 781)
Waste Water Management	11 055 479	10 584 590
Service Charges	15 877 327	14 883 548
Less: Revenue Forgone	(4 821 848)	(4 298 959)
Total Service Charges	<u>133 535 710</u>	<u>123 276 406</u>

Revenue Forgone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
28. SALES OF GOODS AND RENDERING OF SERVICES		
Application Fees for Land Usage	-	7 633
Building Plan Approval	352 092	292 221
Camping Fees	41 487	29 684
Cemetery and Burial	46 410	41 237
Fire Services	808	608
Membership Fees	29 008	30 361
Parking Fees	16 860	17 430
Photocopies and Faxes	14 398	14 557
Removal of Restrictions	7 539	12 902
Sale of Goods	80 547	50 346
Valuation Services	47 451	49 948
Total Sales of Goods and Rendering of Services	636 598	546 928
29. RENT ON LAND		
Land	1 001 144	968 579
Grazing Fees	1 001 144	968 579
Total Rent on Land	1 001 144	968 579
30. RENTAL FROM FIXED ASSETS		
Investment Property	288 656	433 830
Property, Plant and Equipment	1 969 914	1 286 739
Total Rental from Fixed Assets	2 258 569	1 720 569
31. INTEREST EARNED - EXTERNAL INVESTMENTS		
Bank	648 238	431 673
Financial assets	1 129 914	925 725
Total Interest Earned - External Investments	1 778 151	1 357 398
32. INTEREST EARNED - EXCHANGE TRANSACTIONS		
Trade Receivables	8 322 000	6 559 589
Total Interest Earned - Outstanding Receivables	8 322 000	6 559 589
33. OPERATIONAL REVENUE		
Administrative Handling Fees	26 777	13 843
Commission	48 130	46 921
Insurance Refund	-	93 105
Staff Recoveries	187 567	160 409
Total Operational Revenue	262 475	314 279
<u>Disclosed as follows:</u>		
Revenue from Exchange Transactions	262 475	314 279
Revenue from Non-Exchange Transactions	-	-
Total Operational Revenue	262 475	314 279

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
34. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	54 701 282	51 906 220
Pension and UIF Contributions	8 378 781	8 110 527
Medical Aid Contributions	2 303 834	2 344 898
Overtime	4 476 972	4 024 865
Bonuses	4 180 692	4 068 063
Motor Vehicle Allowance	427 726	431 678
Cell Phone Allowance	236 585	169 427
Housing Allowances	3 930 430	3 891 538
Other benefits and allowances	3 023 999	2 616 594
Payments in lieu of leave	1 427 136	1 708 621
Post-retirement Benefit Obligations	2 889 392	1 363 542
Medical - Note 14.1	917 489	948 938
Current Service Cost	917 489	948 938
Long Service Awards - Note 14.2	1 971 903	414 604
Total Employee Related Costs	85 976 830	80 635 973

KEY MANAGEMENT PERSONNEL

Key management personnel are all appointed on 5-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract periods.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Remuneration of the Municipal Manager

Annual Remuneration	963 998	903 319
Benefits and Allowances	413 509	253 981
Contributions to UIF, Medical and Pension Funds	1 785	1 785
Total	1 379 292	1 159 084

Remuneration of the Chief Financial Officer

Basic Salary	-	251 999
Pension and UIF Contributions	133 376	460 825
Medical Aid Contributions	-	8 064
Total	133 376	720 887

Remuneration of Manager: Community Services

Annual Remuneration	-	-
Benefits and Allowances	8 230	48 069
Contributions to UIF, Medical and Pension Funds	-	-
Total	8 230	48 069

Remuneration of Manager: Corporate Services

Annual Remuneration	-	-
Benefits and Allowances	47 360	47 110
Contributions to UIF, Medical and Pension Funds	-	-
Total	47 360	47 110

Remuneration of Manager: Electrical Services

Annual Remuneration	-	-
Benefits and Allowances	-	20 289
Contributions to UIF, Medical and Pension Funds	-	-
Total	-	20 289

Remuneration of Manager: Technical Services

Annual Remuneration	729 914	671 047
Benefits and Allowances	298 851	238 424
Contributions to UIF, Medical and Pension Funds	159 057	147 222
Total	1 187 822	1 056 693

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
35. REMUNERATION OF COUNCILLORS		
JE van den Heever	286 080	276 646
DA Markus	286 080	276 646
CE Gertze	286 080	276 646
R Kritzinger	286 080	276 646
S Kleinbooi	365 089	352 616
CG Coetzee	286 080	276 646
YL van Zyl	286 080	276 646
P van Reenen	286 080	276 646
GY Pieters	384 810	276 646
LF Faber	815 863	786 053
JD Owies (neè Joseph)	495 638	637 003
SCJ van Wyk	266 682	343 469
ZP de Jongh	286 080	276 646
LL Vries	286 080	276 646
SH Ruiter	286 080	276 646
WS Jordaan	365 089	352 616
GJ Coetzee	286 080	276 646
W Van Schalkwyk	60 395	-
ML Isaacs	84 702	-
Total Councillors' Remuneration	5 985 148	5 791 509

Remuneration paid to Councillors can be summarised as follow:

	Salary	Travel Allowance	Other Allowances	Contributions	Total
Executive Mayor	505 476	193 766	40 800	75 821	815 863
Speaker	407 666	128 626	63 015	66 581	665 888
Executive Committee Members	454 710	162 145	81 600	31 724	730 178
Section 79 Committee Chairperson	193 314	72 136	37 400	23 094	325 944
Councillors	2 030 887	669 748	527 185	219 454	3 447 275
Total Councillors' Remuneration	3 592 052	1 226 421	750 001	416 674	5 985 148

In-kind Benefits

The Councillors occupying the positions of Mayor, Speaker and certain members of the Executive Committee of the municipality serve in a full-time capacity. They are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

36. DEPRECIATION AND AMORTISATION

Property, Plant and Equipment	43 055 390	41 497 994
Intangible Assets	28 585	27 362
Total Depreciation and Amortisation	43 083 975	41 525 355

37. FINANCE COSTS

Long-term Borrowings	421 318	22 338
Non-current Employee Benefits	2 303 574	2 173 148
Payables	12 227 388	10 279 790
Total Finance Costs	14 952 280	12 475 276

38. BULK PURCHASES

Electricity	68 277 865	64 977 763
Water	38 267 851	31 396 412
Total Bulk Purchases	106 545 716	96 374 175

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
39. OPERATIONAL COSTS		
Advertising, Publicity and Marketing	814 286	413 365
Assets less than the Capitalisation Threshold	33 365	9 021
Audit Fees	2 729 647	2 679 683
Audit Committee	154 275	113 882
Accounting and Auditing services	1 966 898	2 606 845
Bank Charges, Facility and Card Fees	761 276	675 945
Catering Services	422 911	551 129
Communication	2 214 797	2 066 797
Contractors Building	650 667	367 137
Contractors Electrical	1 027 970	6 160 055
Contractors Equipment	504 825	3 798 277
Contractors Other Assets	913 845	466 630
Contribution to Provisions	3 975 481	11 713 339
Eskom Connection Fees	117 374	-
Entertainment	-	1 200
External Computer Service	5 265 222	7 812 927
Hire Charges	1 740 419	356 690
Indigent Relief	313 947	-
Insurance Underwriting	436 772	576 486
Laboratory Services	238 196	249 099
Legal Cost	1 731 256	1 283 175
Medical Health Services	104 361	46 414
Municipal Services	2 018 219	-
Other Expenditure	743 753	775 737
Pest Control and Fumigation	25 970	345
Printing, Publications and Books	534 608	659 832
Professional Bodies, Membership and Subscription	1 860 332	1 649 749
Registration Fees	398 370	582 007
Remuneration to Ward Committees	378 500	402 759
Road Worthy Test	327 765	272 108
Security Services	550 459	627 969
Travel and Subsistence	2 698 503	3 362 618
Uniform and Protective Clothing	116 311	510 617
Valuer and Assessors	645 609	-
Witness Fees	509 003	-
Total Operational Costs	36 925 191	50 791 833
40. REVERSAL OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON RECEIVABLES		
Non-Current Receivables from Non-Exchange Transactions - Note 6	492 727	(384 193)
Receivables from Exchange Transactions - Note 9	(30 645 008)	(1 797 913)
Receivables from Non-exchange Revenue - Note 10	(8 914 312)	(2 155 387)
Total Reversal of Impairment Loss/ (Impairment Loss) on Receivables	(39 066 593)	(4 337 493)
41. GAINS/(LOSS) ON DISPOSAL OF FIXED ASSETS		
Property, Plant and Equipment	(13 361)	(1 019)
Total Gains/ (Loss) on Sale of Fixed Assets	(13 361)	(1 019)
42. REVERSAL OF IMPAIRMENT LOSS/ (IMPAIRMENT LOSS) ON FIXED ASSETS		
Investment Property	-	-
Property, Plant and Equipment	-	-
Less: Allocated against Provision for Rehabilitation of Landfill-Sites - Note 13	-	-
Total Reversal of Impairment Loss/ (Impairment Loss) on Fixed Assets	-	-
43. WATER LOSSES		
Real Losses	-	-
Total Water Losses	-	-

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

44. RECLASSIFICATION OF ITEMS IN THE FINANCIAL STATEMENTS AS A RESULT OF THE IMPLEMENTATION OF mSCOA

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The municipality has realigned items in the financial statements with the Item Segment of mSCOA. The result of this process was a reclassification and naming of items in the financial statements. New mSCOA Charts are issued annually, resulting into an annual reclassification of items in the financial statements. The reclassification of 2018 audited amounts can be summarised as follows:

	Balance previously reported	Adjustments	Restated Balance
Statement of Financial Position			
Accumulated Surplus/(Deficit)	528 908 937	-	528 908 937
Non-current Provisions	19 565 404	-	19 565 404
Non-current Employee Benefits	23 738 815	-	23 738 815
Consumer Deposits	3 126 230	-	3 126 230
Provisions	12 294 004	-	12 294 004
Current Employee Benefits	8 819 559	-	8 819 559
Trade and Other Payables from Exchange Transactions	219 799 737	-	219 799 737
Unspent Transfers and Subsidies	13 402 799	-	13 402 799
Current Portion of Long-term Borrowings	20 238	-	20 238
Property, Plant and Equipment	635 969 218	-	635 969 218
Investment Property	123 444 704	-	123 444 704
Intangible Assets	65 156	-	65 156
Heritage Assets	1 038 799	-	1 038 799
Inventory	30 986 579	-	30 986 579
Receivables from exchange transactions	6 840 503	-	6 840 503
Receivables from non-exchange transactions	4 625 073	-	4 625 073
Operating Lease Asset	46 660	-	46 660
Taxes	12 957 073	-	12 957 073
Cash and Cash Equivalents	13 674 950	-	13 674 950
Short-term Investments	27 006	-	27 006
	-	-	-
	-	-	-
Statement of Financial Performance			
Property Rates	45 165 614	-	45 165 614
Government Grants and Subsidies	69 587 063	-	69 587 063
Actuarial Gains	1 371 142	-	1 371 142
Fines, Penalties and Forfeits	105 322	-	105 322
Interest Earned - Non-exchange Transactions	1 862 575	-	1 862 575
Licences and Permits	1 305 284	-	1 305 284
Service Charges	123 276 406	-	123 276 406
Sales of Goods and Rendering of Services	546 928	-	546 928
Rent on Land	968 579	-	968 579
Rental from Fixed Assets	1 719 590	-	1 719 590
Interest Earned - external investments	1 327 937	-	1 327 937
Interest Earned - Exchange Transactions	6 559 589	-	6 559 589
Agency Services	1 105 163	-	1 105 163
Operational Revenue	314 279	-	314 279
Employee related costs	(79 993 865)	-	(79 993 865)
Remuneration of Councillors	(5 791 509)	-	(5 791 509)
Contracted Services	(17 178 274)	-	(17 178 274)
Depreciation and Amortisation	(36 096 104)	-	(36 096 104)
Finance Costs	(12 118 051)	-	(12 118 051)
Bulk Purchases	(90 326 926)	-	(90 326 926)
Inventory Consumed	(7 692 408)	-	(7 692 408)
Operational Costs	(26 141 911)	-	(26 141 911)
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value	(20 910)	-	(20 910)
Reversal of Impairment Loss/(Impairment Loss) on Receivables	(25 303 234)	-	(25 303 234)
Gains/(Loss) on Sale of Fixed Assets	(1 019)	-	(1 019)
Water Losses	(5 639 687)	-	(5 639 687)
Net Surplus/(Deficit) for the year	(51 088 428)	-	(51 088 428)

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
45. CORRECTION OF ERROR IN TERMS OF GRAP 3		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from errors in prior years:		
45.1 Property, Plant and Equipment		
Balance previously reported		
Cost	-	1 286 873 136
Previously stated	-	1 248 701 421
Correction of Landfill Sites Cost for 2017/2018	-	36 850 698
Correction of Opening Balance in periods prior to 1 July 2017	-	1 321 017
Accumulated Depreciation	-	(620 144 743)
Previously stated	-	(612 732 203)
Correction of Landfill Sites Accumulated Depreciation for 2017/2018	-	(6 283 367)
Correction of Opening Balance in periods prior to 1 July 2017	-	(1 320 923)
Correction of Opening Balance of Buildings in periods prior to 1 July 2017	-	(662 365)
Correction of 2017/2018 Depreciation on Building previously incorrectly recognised	-	854 116
Restated Balance	-	666 728 393
Retrospective correction of Landfill sites assets in line with 2019 Specialist Consulting Engineer's report.		
45.2 Inventory		
Balance previously reported	-	30 986 579
Correction of stock balances relating to periods prior to 1 July 2017	-	8 885
Restated Balance	-	30 995 464
Correction of Inventory balances incorrectly disclosed in prior years		
45.3 Receivables from Exchange Transactions		
Balance previously reported	-	6 840 503
Correction of electricity revenue relating OCC towns prior to 1 July 2017 - Note 9	-	1 065 165
Correction of 2017/2018 debt impairment provision - Note 9	-	16 979 991
Restated Balance	-	24 885 660
Correction of revenue previously recognised on OCC towns which were billed on based on estimate readings and not actual meter readings. Correction of debt impairment balance recognised for prior year.		
45.4 Receivables from Non-Exchange Transactions		
Balance previously reported	-	4 625 073
Correction of 2017/2018 debt impairment provision - Note 9	-	3 985 750
Restated Balance	-	8 610 823
Correction of debt impairment balance recognised for prior year.		
45.5 Operating Lease Asset		
Balance previously reported	-	46 660
Correction of Operating Leases not recognised in periods prior to 1 July 2017 - Note 7	-	5 721
Correction of Operating Leases relating to 2017/2018 financial year - Note 7	-	979
Restated Balance	-	53 361
Lease agreements were found which were not previously included as Operating Leases. These agreements impacts both the current- as well as preceeding financial years.		

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
45.6 Cash and Cash Equivalents		
Balance previously reported	-	13 674 950
Correct accrued interest on bank statements not recognised in 2017/2018 - Note 11.1	-	29 461
Reversal of stale cheques not through bank prior to 1 July 2017 - Note 11.3	-	(29 270)
Reversal of stale cheques not through bank 2017/2018 - Note 11.3	-	(29 663)
Correction of receipts duplicated in period prior to 1 July 2017 - Note 11.3	-	(18 977)
Restated Balance	<u>-</u>	<u>13 626 501</u>
Interest accrued on bank statements not recognised in prior year.		
45.7 Non-Current Provisions		
Balance previously reported	-	19 565 404
Correction of Landfill sites non-current provision recognised in prior year - Note 13	-	27 229 283
Restated Balance	<u>-</u>	<u>46 794 687</u>
Provision for Landfill sites were restated retrospectively in line with the 2019 Specialist Consulting Engineer's report. The provision estimated based on 2018 report is insufficient to rehabilitate the landfill sites at the end their useful lives.		
45.8 Provisions		
Balance previously reported	-	12 294 004
Correction of Landfill sites current portion recognised in prior year - Note 13	-	17 216 117
Restated Balance	<u>-</u>	<u>29 510 121</u>
Correction of current portion of Non-Current Provision for Landfill sites.		
45.9 Current Employee Benefits		
Balance previously reported	-	8 819 559
Correction of 2017/2018 year provision for bonuses - Note 17.1	-	23 358
Correction of 2017/2018 year provision for Staff Leave - Note 17.2	-	(81 946)
Restated Balance	<u>-</u>	<u>8 760 970</u>
Correction of provision for bonuses recognised in the prior year due to the omission of two employees. Leave provision was recalculated for the 2018 financial year.		
45.10 Trade and Other Payables from Exchange Transactions		
Balance previously reported	-	219 799 737
Correction of Retention recognised as Trade Payables in 2017/2018 - Note 18	-	(129 118)
Correction of Trade Payables relating to Retention provision for 2017/2018 - Note 18	-	129 118
Correction of Retention incorrectly recognised in 2017/2018 - Note 18	-	(131 581)
Correction of Retention incorrectly prior to 1 July 2017 - Note 18	-	(302 918)
Recording of Creditors Interest not recognised in 2017/2018 - Note 18	-	357 225
Recording of Eskom electricity purchases not recognised in 2017/2018 - Note 18	-	407 561
Recording of External Audit fees not recognised in 2017/2018 - Note 18	-	8 527
Settlement payment to NP Mdaka not included in Other Payables in 2017/2018 - Note 18	-	700 697
Restated Balance	<u>-</u>	<u>220 839 248</u>

Correction of Retention provision incorrectly recognised in prior years. Provision for settlement payment to former Chief Financial Officer, NP Mdaka, which was not included in 2017/2018.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
45.11 Accumulated Surplus/(Deficit) - 1 July 2017		
Correction of stock balances relating to periods prior to 1 July 2017 - Note 45.2	-	8 885
Correction of electricity revenue relating OCC towns prior to 1 July 2017 - Note 45.3	-	1 065 165
Correction of Operating Leases not recognised in periods prior to 1 July 2017 - Note 45.5	-	5 721
Correction of Retention incorrectly recognised prior to 1 July 2017 - Note 45.10	-	302 918
Correction of receipts duplicated in period prior to 1 July 2017 - Note 45.6	-	(18 977)
Reversal of stale cheques not through bank prior to 1 July 2017 - Note 45.6	-	(29 270)
Correction of Property, Plant and Equipment balances prior to 1 July 2017 - Note 46.1	-	94
Correction of Accumulated Depreciation on Buildings prior to 1 July 2017 - Note 46.1	-	(662 365)
Total	-	672 171

45.12 Changes to Statement of Financial Performance

Movement on operating account as a result of errors in prior year:

	Note	Balance previously reported	Adjustments	Restated Balance
Revenue				
Property Rates		45 165 614	-	45 165 614
Surcharges and Taxes		-	-	-
Government Grants and Subsidies		69 587 063	-	69 587 063
Public Contributions and Donations		-	-	-
Contributed Property, Plant and Equipment		-	-	-
Actuarial Gains		1 371 142	-	1 371 142
Fines, Penalties and Forfeits		105 322	-	105 322
Interest Earned - Non-exchange Transactions		1 862 575	-	1 862 575
Licences and Permits from Non-Exchange Transactions		1 305 284	-	1 305 284
Service Charges		123 276 406	-	123 276 406
Sales of Goods and Rendering of Services		546 928	-	546 928
Rent on Land		968 579	-	968 579
Rental from Fixed Assets		1 719 590	979	1 720 569
Interest Earned - External Investments		1 327 937	29 461	1 357 398
Interest Earned - Exchange Transactions		6 559 589	-	6 559 589
Licences and Permits from Exchange Transactions		-	-	-
Agency Services		1 105 163	(29 663)	1 075 499
Operational Revenue		314 279	-	314 279
Total		255 215 470	777	255 216 247
Expenditure				
Employee related costs		(79 993 865)	(642 109)	(80 635 973)
Remuneration of Councillors		(5 791 509)	-	(5 791 509)
Bad Debts Written Off		-	-	-
Contracted Services		(17 178 274)	17 178 274	-
Depreciation and Amortisation		(36 096 104)	(5 429 251)	(41 525 355)
Actuarial Losses		-	-	-
Finance Costs		(12 118 051)	(357 225)	(12 475 276)
Bulk Purchases		(90 326 926)	(6 047 248)	(96 374 175)
Inventory Consumed		(7 692 408)	-	(7 692 408)
Operating Leases		-	-	-
Transfers and Subsidies		-	-	-
Operational Costs		(26 141 911)	(24 649 922)	(50 791 833)
Total		(275 339 048)	(19 947 481)	(295 286 529)
Gains and Losses				
Inventories: (Write-down)/Reversal of Write-down to Net Realisable Value		(20 910)	-	(20 910)
Reversal of Impairment Loss/(Impairment Loss) on Receivables		(25 303 234)	20 965 742	(4 337 493)
Gains/(Loss) on Disposal of Fixed Assets		(1 019)	-	(1 019)
Profit/(Loss) on Fair Value Adjustments		-	-	-
Water Losses		(5 639 687)	5 639 687	-
Total		(30 964 850)	26 605 429	(4 359 422)
Net Surplus/(Deficit) for the year		(51 088 428)	6 658 725	(44 429 703)

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
46. RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS		
Surplus/(Deficit) for the year	(59 659 754)	(44 429 703)
Adjustments for:		
Depreciation and Amortisation	43 083 959	43 010 493
Loss/(Gain) on Sale of Fixed Assets	9 675	(38 862 565)
Contributed Property, Plant and Equipment	(61 296)	-
Government Grants and Subsidies received	78 535 177	81 100 331
Government Grants and Subsidies recognised as revenue	(79 210 781)	(69 587 063)
Contribution to provisions – Non-Current Provisions	3 975 481	50 576 923
Contribution from/to provisions - Current Employee Benefits	451 184	715 454
Contribution from/to provisions - Non-Current Employee Benefits	4 579 649	2 915 310
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial losses	-	-
Contribution from/to provisions - Non-Current Employee Benefits - Actuarial gains	(4 558 829)	(1 371 142)
Contribution to provisions – Bad Debt	39 559 320	4 870 153
Operating lease income accrued	26 897	20 282
Operating Surplus/(Deficit) before changes in working capital	26 730 683	28 958 473
Changes in working capital	17 617 697	(5 058 214)
Increase/(Decrease) in Provisions	-	-
Increase/(Decrease) in Trade and Other Payables	62 583 483	23 911 372
Increase/(Decrease) in Employee Benefits	-	-
Increase/(Decrease) in Taxes	(8 136 059)	(1 504 817)
(Increase)/Decrease in Inventory	(142 674)	142 083
(Increase)/Decrease in Trade Receivables from Exchange Transactions	(29 236 895)	(17 250 156)
(Increase)/Decrease in Other Receivables from Non-Exchange Transactions	(7 450 158)	(10 356 697)
(Increase)/Decrease in Repay Arrangements	-	-
Cash generated/(absorbed) by operations	44 348 380	23 900 258
47. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Current Accounts - Note 11	8 278 981	(2 432 766)
Call Deposits and Investments - Note 11	21 191 024	16 057 673
Cash on-hand	1 600	1 600
Cash Floats - Note 11	20 000	27 000
Total cash and cash equivalents	29 491 605	13 653 507
48. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES		
Cash and Cash Equivalents - Note 47	29 491 605	13 653 507
Less:	(12 727 195)	(13 402 799)
Unspent Transfers and Subsidies - Note 19	(12 727 195)	(13 402 799)
Net cash resources available for internal distribution	16 764 410	250 709
Allocated to:		
Capital Replacement Reserve	-	-
Resources available for working capital requirements	16 764 410	250 709
49. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION		
Long-term Liabilities - Note 12	11 210 848	20 238
Used to finance property, plant and equipment - at cost	(11 210 848)	(20 238)
Cash set aside for the repayment of long-term liabilities	-	-
Cash invested for repayment of long-term liabilities	-	-

Long-term liabilities have been utilized in accordance with the Municipal Finance Management

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

50. BUDGET INFORMATION

50.1 Explanation of variances between approved and final budget amounts

The reasons for the variances between the approved and final budgets are mainly due to virements, and the negative effect of the abnormal high electricity and solid waste tariff increases on consumer debtors, the decrease in the capital expenditure, and the reprioritising of capital projects, with the corresponding changes to funding sources.

Explanation of variances greater than 5%: Final Budget and Actual Amounts

50.2 Statement of Financial Position

50.2.1 Current Assets

Cash

Increased cash levels due to uncompleted capital grants not spent

Call Investment Deposits

Funds not transferred to current accounts at year end

Consumer Debtors

Lower level of debt recovery than recovery than expected

Other Debtors

Lower level of debt recovery than recovery than expected

50.2.2 Non-Current Assets

Intangible Assets

Intangible asset additions included in Property, Plant and Equipment

50.2.3 Current Liabilities

Borrowing

Finance lease inception later than expected. Capital recoupment therefore initially lower

Consumer Deposits

Increase in deposits received

Trade and Other Payables

Cumulative finance charges due to constantly growing creditors balance

Provisions

Landfill sites at or near end of useful lives

50.2.4 Non-Current Liabilities

Borrowing

No repayment agreements

Provisions

Cost of rehabilitating landfill sites at the end of its useful life

50.2.5 Net Assets

Accumulated Surplus/(Deficit)

Net effect of all of the above

Statement of Financial Performance

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

50.2.6 Revenue

Service Charges - Water Revenue

The variance are mainly due to the municipality crediting accounts that was incorrectly read due to the shortages in staff meter readers

Rental of Facilities and Equipment

Higher demand for rentals from Municipality

Interest Earned - External Investments

The variance are due to the municipality receiving more income from grants than what anticipated and also due to the fact the municipality did not monthly transfers from the call account to the primary account as expenditure occurred

Interest Earned - Outstanding Debtors

Debtors increasing had an impact on the interest billed

Fines

More fines issued than expected

Licences and Permits

Less renewals than previous years

Agency Services

Phasing out of Agency Service by Municipality

Other Revenue

Increase in sundry income

Gains on Disposal of PPE

Sale of land and stands yet to occur

Transfers Recognised - Capital

Municipality underspent on capital grants

50.2.7 Expenditure

Debt Impairment

Increased levels of outstanding debtors balances

Depreciation and Asset Impairment

Finance leases depreciating over a shorter period

Finance Charges

Interest on creditors balances due to insufficient cash levels

Other Materials

Increased materials utilised for various projects.

Contracted Services

Contracted Services is not applicable in terms of GRAP, therefore no actuals recognised.

Other Expenditure

Municipality is experiencing cash flow constraints and expenditure is link to available cash

Cash Flow Statement

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

50.2.8 Net Cash from Operating Activities

Service Charges

Increase in indigent relief

Other Revenue

Increase in sundry income

Government - Capital

Decrease in capital expenditure incurred prior to year end

Interest

High levels of unspent transfers

Suppliers and Employees

Lower cash levels available to pay creditors

Finance costs

Higher levels of outstanding payables balances

50.2.9 Net Cash from Investing Activities

Proceeds on disposal of PPE

Sale of land and stands yet to occur

Capital Assets

Not able to spend all grants received before year end

50.2.10 Net Cash from Financing Activities

Increase/(Decrease) in Consumer Deposits

Increase in deposits received

Repayment of Borrowing

Finance lease inception later than expected. Capital recoupment therefore initially lower

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
51. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
51.1 <u>Unauthorised expenditure</u>		
Reconciliation of unauthorised expenditure:		
Opening balance	286 905 967	254 578 098
Unauthorised expenditure current year - operational	39 812 080	32 327 869
Unauthorised expenditure current year - capital	1 342 343	-
Approved by Council or condoned	-	-
Current	-	-
Prior Period	-	-
Transfer to receivables for recovery	-	-
Current	-	-
Prior Period	-	-
Unauthorised expenditure awaiting authorisation	<u><u>328 060 389</u></u>	<u><u>286 905 967</u></u>

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Over expenditure of approved operating budget - Prior to 1 July 2017</i>	<i>None</i>	233 144 124	233 144 124
<i>Over expenditure of approved operating budget - 2017</i>	<i>None</i>	21 433 974	21 433 974
<i>Over expenditure of approved operating budget - 2018</i>	<i>None</i>	32 327 869	32 327 869
<i>Over expenditure of approved operating budget - 2019</i>	<i>None</i>	41 154 422	-
		<u><u>328 060 389</u></u>	<u><u>286 905 967</u></u>

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 Actual R	2019 Final Budget R	2019 Variance R	2019 Unauthorised R
<u>Unauthorised expenditure current year - operating</u>				
Municipal Manager	20 991 156	21 612 098	(620 942)	-
Financial Services	73 730 798	46 794 459	26 936 338	26 936 338
Corporate Services	27 804 714	33 454 657	(5 649 943)	-
Community Services: Community Development	21 117 411	23 602 942	(2 485 530)	-
Community Services: Public Safety	8 382 526	9 108 559	(726 034)	-
Electrical Engineering Services	87 403 034	98 332 536	(10 929 502)	-
Infrastructure, Engineering & Technical Services	103 716 619	90 840 878	12 875 742	12 875 742
	<u>343 146 258</u>	<u>323 746 130</u>	<u>19 400 128</u>	<u>39 812 080</u>

Unauthorised expenditure current year - capital

Municipal Manager	-	13 109 614	(13 109 614)	-
Financial Services	-	-	-	-
Corporate Services	217 075	1 739 574	(1 522 499)	-
Community Services: Community Development	-	595 000	(595 000)	-
Community Services: Public Safety	-	-	-	-
Electrical Engineering Services	5 342 343	4 000 000	1 342 343	1 342 343
Infrastructure, Engineering & Technical Services	21 789 376	33 734 000	(11 944 624)	-
	<u>27 348 793</u>	<u>53 178 188</u>	<u>(25 829 395)</u>	<u>1 342 343</u>

	2019 R	2018 R
51.2 Fruitless and wasteful expenditure		
Reconciliation of fruitless and wasteful expenditure:		
Opening balance	34 009 964	21 422 977
Correction of prior period error	-	-
Restated opening balance	34 009 964	21 422 977
Fruitless and wasteful expenditure current year	10 919 441	12 586 987
Condoned or written off by Council	-	-
Current	-	-
Prior Period	-	-
Fruitless and wasteful expenditure awaiting condonement	<u>44 929 405</u>	<u>34 009 964</u>

Fruitless and wasteful expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
Creditors Interest Paid Prior to 1 July	None	34 009 964	21 422 977
SA Post Office Interest Paid	None	12 709	4 897
MH Office Machines Interest Paid	None	97	212
Eskom Penalties and Interest Paid	None	10 896 272	12 556 316
Auditor General Interest Paid	None	-	15 024
Namaqua Gas Interest Paid	None	-	910
Telkom Interest Paid	None	10 363	5 913
G&C Petrol Interest Paid	None	-	3 654
Namandla Steel Interest Paid	None	-	61
		<u>44 929 405</u>	<u>34 009 964</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
51.3 Irregular expenditure		
Reconciliation of irregular expenditure:		
Opening balance	197 501 801	193 754 859
Irregular expenditure current year	3 593 697	3 746 942
Condonement supported by council	-	-
Current	-	-
Prior Period	-	-
Irregular expenditure awaiting further action	<u>201 095 498</u>	<u>197 501 801</u>

Irregular expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings		
<i>Irregular expenditure Prior to 1 July 2017</i>	<i>None</i>	197 501 801	166 690 920
<i>Supplier in service of the state</i>	<i>None</i>	-	46 208
<i>Payments made to supplier exceeding contract amount</i>	<i>None</i>	-	3 599 327
<i>Expenditure contrary to SCM processes - No bid price with tender</i>	<i>None</i>	3 593 696	7 177 831
<i>Contract ammended contrary to section 116 of MFMA</i>	<i>None</i>	-	100 000
<i>Payments not approved by a delegated official</i>	<i>None</i>	-	19 887 515
		<u>201 095 498</u>	<u>197 501 801</u>

Recoverability of all irregular expenditure will be evaluated by Council in terms of section 32 of MFMA. No steps have been taken at this stage to recover any funds.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

Further instances of Irregular Expenditure that might have resulted from non-compliance with the supply chain management processes are under investigation to determine the full extent of the amount. These expenditure can be summarised as follows:

	2019 R	2018 R
Incident		
Disciplinary steps/criminal proceedings		
<i>Payments made to supplier exceeding contract amount</i>	-	3 770 451
<i>No declaration of local production and content</i>	-	61 748
<i>Expenditure contrary to SCM Processes</i>	1 239 039	1 709 543
<i>CIDB grading lower than advertised requirements</i>	-	2 238 826
<i>Lowest quotation not used</i>	-	8 071
	<u>1 239 039</u>	<u>7 788 638</u>

52. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

52.1 Contributions to organised local government - [MFMA 125 (1)(b)] - (SALGA CONTRIBUTIONS)

Opening balance	1 092 910	995 840
Council subscriptions	936 450	875 510
Amount paid - current year	(250 000)	-
Amount paid - previous years	(1 092 910)	(778 440)
Balance unpaid (included in creditors)	<u>686 450</u>	<u>1 092 910</u>

52.2 Audit fees - [MFMA 125 (1)(c)]

Opening balance	1 098 483	978 632
Correction of prior period error	-	31 910
Restated opening balance	1 098 483	1 010 542
Current year audit fee	3 243 705	3 079 304
External Audit - Auditor-General	3 243 705	3 079 304
Internal Audit	-	-
Audit Committee	-	-
Amount paid - current year	(1 231 176)	(1 980 821)
Amount paid - previous year	(1 098 483)	(1 010 542)
Balance unpaid (included in creditors)	<u>2 012 529</u>	<u>1 098 483</u>

52.3 VAT - [MFMA 125 (1)(c)]

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

52.4 PAYE and UIF - [MFMA 125 (1)(c)]

Opening balance	1 237 838	948 829
Correction of prior period error	-	5 423
Restated opening balance	1 237 838	954 252
Current year payroll deductions	13 394 489	12 462 495
Amount paid - current year	(12 257 598)	(11 224 657)
Amount paid - previous year	(1 237 837)	(954 252)
Balance unpaid (included in creditors)	<u>1 136 892</u>	<u>1 237 838</u>

52.5 Pension and Medical Aid Deductions - [MFMA 125 (1)(c)]

Opening balance	1 362 630	974 586
Current year payroll deductions and Council Contributions	17 027 310	16 598 251
Amount paid - current year	(15 610 209)	(15 235 621)
Amount paid - previous year	(1 362 630)	(974 586)
Balance unpaid (included in creditors)	<u>1 417 101</u>	<u>1 362 630</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
52.6 <u>Councillor's arrear consumer accounts - [MFMA 124 (1)(b)]</u>		
The following Councillors had arrear accounts for more than 90 days as at 30 June 2019:		More than 90 days
<i>WS Jordaan</i>		-
<i>SH Ruiter</i>		48 582
<i>DA Markus</i>		919
<i>SJC van Wyk</i>		-

52.7 Disclosures in terms of the Municipal Supply Chain Management Regulations - Promulgated by Government Gazette 27636 dated 30 May 2005

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b):

	<u>Type of Deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
30 June 2019					
July	745 200	111 904	-	289 588	343 708
August	969 250	9 343	-	535 076	424 830
September	1 125 880	68 109	-	676 678	381 094
October	1 018 917	62 629	-	526 397	429 891
November	1 105 256	18 626	-	458 972	627 658
December	813 235	5 212	-	459 863	348 160
January	811 573	61 358	-	540 743	209 472
February	1 443 009	194 063	-	537 310	711 637
March	826 036	25 879	-	697 732	102 426
April	827 220	35 394	-	645 307	146 519
May	1 022 012	2 800	-	558 302	460 911
June	1 524 442	161 705	-	792 782	569 955
	<u>12 232 030</u>	<u>757 021</u>	<u>-</u>	<u>6 718 749</u>	<u>4 756 260</u>

	<u>Type of Deviation</u>				
	Amount	Single Supplier	Impossible	Impractical	Emergency
30 June 2018					
July	310 641	-	-	231 510	79 131
August	1 301 513	70 191	-	415 022	816 301
September	1 455 163	197 109	-	389 136	868 918
October	796 793	6 441	-	521 533	268 819
November	1 076 097	10 474	-	578 246	487 377
December	968 977	5 620	-	426 952	536 405
January	643 097	32 299	-	220 898	389 900
February	1 247 230	273 163	-	563 561	410 506
March	622 131	12 857	-	588 197	21 077
April	929 628	31 147	-	259 760	638 721
May	1 229 649	81 758	-	538 128	609 912
June	1 343 173	6 312	-	481 806	855 054
	<u>11 924 092</u>	<u>727 371</u>	<u>-</u>	<u>5 214 748</u>	<u>5 982 123</u>

52.8 Broad-Based Black Economic Empowerment Act

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	2019 R	2018 R
52.9 <u>Material losses</u>		
Electricity distribution losses		
Units purchased (Kwh)	58 786 512	60 643 720
Units lost during distribution (Kwh)	8 368 555	8 795 168
Percentage lost during distribution	14.24%	14.50%
Distribution loss (Rand Value)	5 172 761	5 002 823

Electricity losses are due to electricity theft on pre-paid meters and illegal connections.

Water distribution losses

Units purchased (MI)	2 253 641	1 974 646
Units lost during distribution (MI)	612 468	355 144
Percentage lost during distribution	27.18%	17.99%
Distribution loss (Rand Value)	10 405 831	5 639 687

Normal pipe bursts and field leakages are responsible for water losses.

53. FINANCIAL RISK MANAGEMENT

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

(a) Foreign Exchange Currency Risk

The municipality does not engage in foreign currency transactions.

(b) Price Risk

The municipality is not exposed to price risk.

(c) Interest Rate Risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year. The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% (2018: 1%) Increase in interest rates	(128 154)	(159 325)
1% (2018: 1%) Decrease in interest rates	128 154	159 325

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(d) Credit Risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk arises mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other receivables are disclosed net after provisions are made for impairment and bad debts. Trade receivables comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other receivables is considered to be moderate due the diversified nature of receivables and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 9 and 10 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 6 for balances included in receivables that were re-negotiated for the period under review.

	2019 %	2019 R	2018 %	2018 R
<u>Non-Current Receivables</u>				
Repay Arrangements	100.00%	3 908 976	100.00%	4 401 704
<u>Non-exchange Receivables</u>				
Rates	100.00%	37 943 971	100.00%	31 285 569
	100.00%	37 943 971	100.00%	31 285 569
<u>Exchange Receivables</u>				
Electricity	35.50%	52 058 839	33.43%	37 710 639
Water	31.81%	46 651 651	33.63%	37 938 142
Property Rentals	2.01%	2 947 541	2.26%	2 555 022
Waste Management	17.73%	26 005 304	18.75%	21 156 747
Waste Water Management	8.52%	12 497 832	9.04%	10 194 929
Housing Selling Scheme	0.00%	-	0.00%	-
Water and Sanitation Service Authority	0.00%	-	0.00%	-
Abeyance	0.00%	-	0.00%	-
Other	4.42%	6 481 511	2.88%	3 253 551
	100.00%	146 642 677	100.00%	112 809 031

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in notes 9 and 10 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of receivables as follow:

	2019 %	2019 R	2018 %	2018 R
<u>Non-Current Receivables</u>				
Repay Arrangements	2.42%	3 908 976	3.74%	4 401 704
<u>Non-exchange Receivables</u>				
Rates	21.20%	34 188 882	21.49%	25 274 570
<u>Exchange Receivables</u>				
Services	76.38%	123 165 131	74.76%	87 923 371
	100.00%	161 262 989	100.00%	117 599 645

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

<u>Ageing of amounts past due but not impaired are as follow:</u>	Exchange Receivables	Non- exchange Receivables
2019		
1 month past due	4 513 313	1 364 830
2+ months past due	18 964 233	2 390 259
	<u>23 477 546</u>	<u>3 755 089</u>
2018		
1 month past due	3 586 965	1 339 130
2+ months past due	21 298 695	4 671 868
	<u>24 885 660</u>	<u>6 010 998</u>

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The entity only deposits cash with major banks with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE (ABSA Bank Limited). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

	2019 R	2018 R
Financial assets exposed to credit risk at year end are as follows:		
Non-Current Receivables from Exchange Transactions	3 908 976	4 401 704
Non-Current Receivables from Non-Exchange Transactions	-	-
Receivables from exchange transactions	146 642 677	112 809 031
Receivables from non-exchange transactions	41 335 551	33 885 393
Cash and Cash Equivalents	29 442 999	16 030 667
	<u>221 330 203</u>	<u>167 126 795</u>

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

(e) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

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

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2019				
Long-term Liabilities	3 663 670	7 547 178	-	-
Trade and Other Payables	283 422 732	-	-	-
	<u>287 086 402</u>	<u>7 547 178</u>	<u>-</u>	<u>-</u>
	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	More than 10 years
2018				
Long-term Liabilities	20 491	-	-	-
Trade and Other Payables	220 839 248	-	-	-
	<u>220 859 739</u>	<u>-</u>	<u>-</u>	<u>-</u>
			2019	2018
			R	R

54. FINANCIAL INSTRUMENTS

In accordance with GRAP104.45 the financial liabilities and assets of the municipality are classified as follows:

54.1	<u>Financial Assets</u>	<u>Classification</u>		
	Non-Current Receivables			
	Receivables with repay arrangements	Financial Instruments at amortised cost	3 908 976	4 401 704
	Receivables from Exchange Transactions			
	Electricity	Financial Instruments at amortised cost	52 058 839	37 710 639
	Water	Financial Instruments at amortised cost	46 651 651	37 938 142
	Property Rentals	Financial Instruments at amortised cost	2 947 541	2 555 022
	Waste Management	Financial Instruments at amortised cost	26 005 304	21 156 747
	Waste Water Management	Financial Instruments at amortised cost	12 497 832	10 194 929
	Housing Selling Scheme	Financial Instruments at amortised cost	-	-
	Water and Sanitation Service Authority	Financial Instruments at amortised cost	-	-
	Abeyance	Financial Instruments at amortised cost	-	-
	Other Arrears	Financial Instruments at amortised cost	6 481 511	3 253 551
	Cash and Cash Equivalents			
	Bank Balances	Financial Instruments at amortised cost	8 278 981	-
	Call Deposits	Financial Instruments at amortised cost	21 164 018	16 030 667
	Total Financial Assets		<u>179 994 652</u>	<u>133 241 402</u>

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

		2019 R	2018 R
Financial Instruments at amortised cost:			
Investments	Fixed Deposits	-	-
Long-term Receivables	Receivables with repay arrangements	3 908 976	4 401 704
Long-term Receivables	Sport Club Loans	-	-
Long-term Receivables	Housing Loans	-	-
Receivables from Exchange Transactions	Electricity	52 058 839	37 710 639
Receivables from Exchange Transactions	Water	46 651 651	37 938 142
Receivables from Exchange Transactions	Property Rentals	2 947 541	2 555 022
Receivables from Exchange Transactions	Waste Management	26 005 304	21 156 747
Receivables from Exchange Transactions	Waste Water Management	12 497 832	10 194 929
Receivables from Exchange Transactions	Housing Selling Scheme	-	-
Receivables from Exchange Transactions	Water and Sanitation Service Authority	-	-
Receivables from Exchange Transactions	Abeyance	-	-
Receivables from Exchange Transactions	Other Arrears	6 481 511	3 253 551
Cash and Cash Equivalents	Bank Balances	8 278 981	-
Cash and Cash Equivalents	Call Deposits	21 164 018	16 030 667
		<hr/>	<hr/>
		179 994 652	133 241 402
		<hr/>	<hr/>
Total Financial Assets		179 994 652	133 241 402

54.2 **Financial Liabilities**

Classification

Long-term Liabilities

Capitalised Lease Liability	Financial Instruments at amortised cost	11 210 848	20 238
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Trade and Other Payables

Trade Payables	Financial Instruments at amortised cost	264 196 016	207 933 413
Accrued Interest	Financial Instruments at amortised cost	-	-
Advance Payments	Financial Instruments at amortised cost	-	-
Control, Clearing and Interface Accounts	Financial Instruments at amortised cost	14 950 338	3 927 965
Other Payables	Financial Instruments at amortised cost	2 243 105	7 261 269
Retentions	Financial Instruments at amortised cost	2 033 273	1 716 601

Cash and Cash Equivalents

Bank Overdraft	Financial Instruments at amortised cost	-	2 432 766
		<hr/>	<hr/>
		294 633 579	223 292 252
		<hr/>	<hr/>

SUMMARY OF FINANCIAL LIABILITIES

Financial instruments at amortised cost:

Long-term Liabilities	Annuity Loans	-	-
Long-term Liabilities	Local Registered Stock	-	-
Long-term Liabilities	Government Loans	-	-
Long-term Liabilities	Capitalised Lease Liability	11 210 848	20 238
Trade and Other Payables	Trade Payables	264 196 016	207 933 413
Trade and Other Payables	Accrued Interest	-	-
Trade and Other Payables	Advance Payments	-	-
Trade and Other Payables	Control, Clearing and Interface Accounts	14 950 338	3 927 965
Trade and Other Payables	Other Payables	2 243 105	7 261 269
Trade and Other Payables	Retentions	2 033 273	1 716 601
Cash and Cash Equivalents	Bank Overdraft	-	2 432 766
		<hr/>	<hr/>
		294 633 579	223 292 252
		<hr/>	<hr/>

55. **IN-KIND DONATIONS AND ASSISTANCE**

The Northern Cape: Provincial Treasury has assisted the municipality with asset management related services during the year. These services does not meet the recognition criteria in terms of GRAP 23 and are therefore only disclosed in the financial statements. The estimate value of the services amounts to R1 700 000 (2018: R3 544 032).

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

56. PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

57. CONTINGENT ASSETS AND LIABILITIES

The municipality is currently engaged in the following litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions:

Nama Khoi Municipality / Cornelissen Inc. (obo Schreuders Attorneys)

Legal fees charged to the Municipality which was not sanctioned by Council. Management's estimate of financial exposure, including costs and disbursements - R1 500 000.

Nama Khoi Municipality / ESKOM (obo Werksmans Attorneys)

Negotiations with Eskom over the outstanding amount payable. Legal communication was also issued to Eskom relating to the intended interruption of bulk electricity supply. Management's estimate of financial exposure - R700 000.

Nama Khoi Municipality / Illegal Miners - Kleinzee (obo Werksmans Attorneys)

Review in court over eviction of illegal miners from Kleinzee by De Beers. Management's estimate of financial exposure - R30 248.

Nama Khoi Municipality / R August (obo Neville Cloete Attorneys)

Condonation and referral to SALGBC following unfair dismissal. Management's estimate of financial exposure - R100 000.

Nama Khoi Municipality / Peterson and Pier (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - R180 000.

Nama Khoi Municipality / Duane Titus (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - R120 000.

Nama Khoi Municipality / R Bonn and 54 others (obo Neville Cloete Attorneys)

Review in Labour court following unfair dismissal. Management's estimate of financial exposure - R150 000.

Nama Khoi Municipality / Springbok Rugby Club (obo Duncan J Britz Attorneys)

Application for action for eviction. Management's estimate of financial exposure - R5 000.

Nama Khoi Municipality / Namaqua Fitness (obo Duncan J Britz Attorneys)

Application for action for outstanding monies and action for eviction after rental agreement expired. Management's estimate of financial exposure - R8 320.

Nama Khoi Municipality / Cloete and Mouton Saaiperseel (obo Duncan J Britz Attorneys)

Application for action for eviction. Management's estimate of financial exposure - R9 220.

Nama Khoi Municipality / F Klassen (obo Bouwer & Kie Attorneys)

Application for claim for municipal land in Springbok. Management's estimate of financial exposure - R10 000.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

58. RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

58.1 Related Party Transactions

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2019						
Councillors						
CW Markus	5 239	9 263	539	423	4 833	482
CE Gertze	708	4 148	771	-	414	28
L Vries	3 823	7 772	-	-	864	59
P Van Reenen	2 284	8 016	241	1	959	90
WS Jordaan	36 448	19 416	-	169	4 445	352
R Kritziner	14 283	18 856	-	64	2 367	163
S Kleinbooi	2 709	9 438	229	8	1 285	104
J Van den Heever	2 473	6 040	-	-	613	-
LF Faber	868	7 591	-	-	774	66
SJC Van Wyk	1 117	6 334	-	-	3 369	975
SH Ruiters	2 738	4 199	-	11	1 148	177
GJ Coetzee	1 274	10 108	-	-	925	72
ZP De Jongh	888	5 607	-	-	1 335	552
SJC Van Wyk	8 741	7 252	-	27	2 613	-
S Kleinbooi -Dessert Inn	26 913	196 403	-	84	15 776	927
SH Ruiters -Guest House	4 665	19 227	-	4 663	59 741	49 610
WS Jordaan Wonic	-	30 870	-	1 510	3 967	612
W Van Schalkwyk	119	1 119	-	1	839	98
ML Isaacs	276	1 131	-	-	575	87
	115 568	372 789	1 780	6 962	106 841	54 454
Municipal Manager and Section 57 Employees						
R Hartley	15 746	9 348	-	-	1 943	140
WJ Bowers	13 735	11 967	-	-	1 822	124
J Cloete	6 334	11 913	-	-	1 300	87
BJ Love	13 103	17 520	-	-	2 005	123
DC Maarman	3 795	4 451	-	-	703	-
	52 713	55 198	-	-	7 772	474

NAMA KHOI MUNICIPALITY

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

	Rates	Service Charges	Other	Interest	Outstanding Balance	Provision for Debt Impairment
Year ended 30 June 2018						
Councillors						
CW Markus	4 976	8 314	281	3 078	33 019	33 019
CE Gertze	645	6 498	498	-	393	393
L Vries	3 631	7 140	-	-	946	946
P Van Reenen	2 170	6 187	-	-	912	912
WS Jordaan	34 614	19 485	-	352	4 650	4 650
R Kritziner	13 564	15 837	-	73	899	899
S Kleinbooi	2 359	9 316	217	2	1 122	1 122
J Van den Heever	2 349	7 442	-	-	582	582
LF Faber	825	6 878	-	-	606	606
SJC Van Wyk	1 273	8 707	-	-	1 591	1 591
SH Ruiter	2 600	4 678	-	10	515	515
GJ Coetzee	1 210	8 759	-	-	638	638
ZP De Jongh	3 129	7 433	-	468	3 902	1 209
SJC Van Wyk	1 012	7 273	-	6	1 209	3 902
S Kleinbooi -Dessert Inn	25 556	191 286	-	20	20 186	20 186
SH Ruiter -Guest House	4 430	21 368	-	4 658	43 386	43 386
WS Jordaan Wonic	-	53 510	-	495	22 834	22 834
	104 342	390 112	995	9 162	137 392	137 392
Municipal Manager and Section 57 Employees						
R Hartley	14 954	8 598	-	-	1 867	1 867
WJ Bowers	9 783	13 476	-	-	1 843	1 843
J Cloete	6 016	9 500	-	-	1 145	1 145
BJ Love	9 372	11 703	-	-	1 974	1 974
DC Maarman	1 170	904	-	-	628	628
	41 295	44 181	-	-	7 457	7 457

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

The municipality has to report to the MEC of Local Government (NC Department of COGHTA). All municipalities in the Northern Cape are therefore related parties.

Related party relationship

Councilors and management comprises of those persons responsible for planning, directing and controlling the activities of the Municipality.

58.2 Compensation of key management personnel

The compensation of key management personnel is set out in note 34 to the Annual Financial Statements.

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

58.3 Current Employee Benefits

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2019:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus	Municipal Manager	131 345	-
HE Cloete	Chief Financial Officer	70 711	26 009
JS Cloete	Head: Technical Services	131 877	-
DC Magerman	Head: Corporate Services	72 979	35 791
		406 911	61 799

The Municipality has the following current employee benefit obligations and made other non-Employee Related Cost payments towards senior management on 30 June 2018:

Name	Position	Staff Leave Obligations	Staff Bonus Obligations
SA Titus	Municipal Manager	97 791	-
HE Cloete	Chief Financial Officer	73 501	23 738
JS Cloete	Head: Technical Services	152 032	-
DC Magerman	Head: Corporate Services	47 536	33 449
		370 861	57 188

2019
R

2018
R

58.4 Other related party transactions

The following purchases were made during the year where Councillors or staff have an interest:

Company Name	Related Party	Service Capacity	Relationship		
Utkoms Takeaways	J Brandt	Nama Khoi Municipality - Sewerage	Husband	-	7 380
Rosy's Kitchen	J Louw	Department of Public Works	Husband	-	149 758
				-	157 138

NOTES ON THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

59. FINANCIAL SUSTAINABILITY

The extremely high cost associated with the Delivery of Basic Services and Infrastructure needs to communities due to the vast distances between several settlements coupled with the social-economic profile (high unemployment rate) of Nama Khoi communities resulted in a serious risk for Nama Khoi Municipality's going concern.

Unless sustainable job creation is achieved, Nama Khoi Municipality will not be able to function as a going concern without Government Grants and Subsidies.

The average creditors payment period is 627 days (2018: 490 days).

The municipality is experiencing difficulty to settle its current liabilities as its net current asset position is insufficient. The current liabilities exceeds the current assets with R231 325 218 (2018: R184 503 718).

The municipality have budgeted for a deficit of R40 444 000 for the 2019/2020 financial year, and R56 057 000 and R48 395 000 for the 2019/2020 and 2020/2021 years respectively. The municipality has budgeted for positive cash flows for the next three years amounting to R3 444 000, R1 344 000 and R16 000 respectively.

NCPT has assisted the municipality to prepare a financial recovery plan. The plan will be implemented, once approved by council.

COGTA is currently assisting the municipality with revenue enhancement strategies and verification of consumer data.

In spite of aforementioned, management has prepared the Annual Financial Statements on the Going Concern Basis.

60. EVENTS AFTER REPORTING PERIOD

No events after the reporting date were identified by management that would affect the operations of the Municipality or the results of those operations significantly.

**APPENDIX A
NAMA KHOI MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 June 2018	Correction of Error	Received during the period	Redeemed written off during the period	Balance at 30 June 2019
LEASE LIABILITY								
Nashua (Old lease printers)	10.25%	Various		20 238	-	-	(20 238)	-
Nashua (New lease printers)	10.25%	Various		-	-	1 030 734	(150 640)	880 094
ABSA Vehicle rentals	10.25%	Various		-	-	11 092 644	(761 890)	10 330 753
Total Lease Liabilities				20 238	-	12 123 378	(932 768)	11 210 848
TOTAL EXTERNAL LOANS				20 238	-	12 123 378	(932 768)	11 210 848

APPENDIX B
NAMA KHOI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2019
GENERAL FINANCE STATISTIC CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Governance and Administration			
1 407 405	(18 514 109)	(17 106 703)	Executive and council	1 562 710	(19 882 396)	(18 319 685)
99 919 167	(74 915 709)	25 003 458	Finance and administration	111 878 428	(127 993 156)	(16 114 727)
-	(1 170 129)	(1 170 129)	Internal audit	-	(966 788)	(966 788)
			Community and Public Safety			
2 338 582	(9 442 144)	(7 103 563)	Community and social services	2 030 936	(4 928 022)	(2 897 087)
47 789	(2 360 818)	(2 313 030)	Sport and recreation	(3 034)	(3 394 960)	(3 397 994)
14 912	(2 702 892)	(2 687 980)	Public safety	-	(2 677 159)	(2 677 159)
-	-	-	Housing	-	-	-
-	-	-	Health	-	-	-
			Economic and Environmental Services			
-	(1 092 000)	(1 092 000)	Planning and development	-	(1 296 568)	(1 296 568)
2 367 614	(11 857 346)	(9 489 732)	Road transport	2 018 981	(26 925 401)	(24 906 420)
-	-	-	Environmental protection	-	-	-
			Trading Services			
78 894 457	(75 073 751)	3 820 706	Energy sources	86 614 416	(87 403 034)	(788 617)
32 340 823	(37 751 753)	(5 410 931)	Water management	45 438 193	(45 656 225)	(218 033)
25 350 276	(52 600 679)	(27 250 404)	Waste water management	20 826 790	(9 599 933)	11 226 857
12 473 800	(11 789 235)	684 565	Waste management	13 087 607	(12 422 617)	664 990
60 646	(374 607)	(313 961)	Other	31 477	-	31 477
255 215 470	(299 645 173)	(44 429 703)	Sub Total	283 486 504	(343 146 258)	(59 659 754)
-	-	-	Less Inter-Departmental Charges	-	-	-
255 215 470	(299 645 173)	(44 429 703)	Total	283 486 504	(343 146 258)	(59 659 754)

APPENDIX C
NAMA KHOI MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 30 JUNE 2019
MUNICIPAL VOTES CLASSIFICATIONS

2018 Actual Income R	2018 Actual Expenditure R	2018 Surplus/ (Deficit) R		2019 Actual Income R	2019 Actual Expenditure R	2019 Surplus/ (Deficit) R
			Municipal Manager			
159 283	(8 772 687)	(8 613 404)	Council General Administration	208 113	(7 615 926)	(7 407 813)
-	(8 967 085)	(8 967 085)	Office Of the Municipal Manager	12 957	(12 138 596)	(12 125 639)
608	(230 115)	(229 507)	Disaster Risk Management	808	(132 313)	(131 505)
-	(34 569)	(34 569)	Performance Management	-	-	-
-	(1 170 129)	(1 170 129)	Internal Auditing	-	(966 788)	(966 788)
-	-	-	Communication & Media	-	-	-
1 248 122	(774 337)	473 786	Planning And Development	1 341 641	(127 874)	1 213 767
-	-	-	Tourism, IDP & LED	-	(9 660)	(9 660)
			Financial Services			
			Accounting, Budget and Finance			
3 172 144	(6 738 584)	(3 566 440)	Management	3 740 515	(4 536 159)	(795 644)
5 513	(10 984 873)	(10 979 360)	Expenditure & Supply Chain	8 015	(12 749 318)	(12 741 304)
2 311 980	(565 636)	1 746 344	Income and Debtors	2 582 810	(931 068)	1 651 742
47 003 951	(20 583 113)	26 420 838	Manager: Financial Services	52 308 752	(55 514 253)	(3 205 501)
			Property Rates and Valuation			
45 165 614	-	45 165 614	Services	47 470 760	-	47 470 760
			Corporate Services			
			Administrative Support & Corporate			
-	-	-	Advice	-	-	-
-	-	-	Archival Services	-	-	-
(622 632)	(1 718 709)	(2 341 341)	Cleaning Services	(770 636)	(1 913 609)	(2 684 245)
1 388 572	(1 233 851)	154 720	Human Resources	4 584 893	(1 395 252)	3 189 641
-	-	-	Legal And Development Planning	-	-	-
522	(12 654 267)	(12 653 746)	Corporate Serv: Manager	446	(18 236 822)	(18 236 376)
1 474 783	(483 275)	991 508	Municipal Property Management	1 934 814	(555 653)	1 379 161
14 557	(8 553 944)	(8 539 386)	Corporate Service: ICT	14 398	(5 703 377)	(5 688 980)
			Community Services: Community Development			
			Cemeteries			
41 237	(479 399)	(438 162)		46 410	(95 653)	(49 243)
1 029 813	(766 627)	263 186	Commonage Farms	1 065 702	(870 257)	195 445
-	-	-	Environmental Health	-	-	-
-	(268 558)	(268 558)	Museum	-	(294 388)	(294 388)
1 077 241	(7 505 975)	(6 428 735)	Libraries & Information Services	744 737	(3 165 279)	(2 420 542)
			Manager: Community Development			
197 153	(760 741)	(563 588)		186 186	(874 258)	(688 072)
(7 913)	(374 607)	(382 520)	Municipal Airport	(23 346)	-	(23 346)
2 354	(2 150 174)	(2 147 820)	Parks and Open Areas	3 656	(1 765 715)	(1 762 059)
			Refuse Removal and Waste			
12 473 800	(11 789 235)	684 565	Management	13 087 607	(12 422 617)	664 990
45 435	(210 644)	(165 209)	Sport Facilities	(6 690)	(1 629 245)	(1 635 935)
			Community Services: Public Safety			
			Emergency, Fire & Disaster			
-	(776 002)	(776 002)		-	(896 022)	(896 022)
68 559	(2 365 245)	(2 296 686)	Law Enforcement Services	54 823	(2 305 347)	(2 250 524)
14 912	-	14 912	Municipal Pound	-	-	-
2 367 614	(4 744 756)	(2 377 141)	Traffic Services	2 018 981	(5 181 157)	(3 162 176)
-	-	-	Vehicle Testing and Licences	-	-	-
			Electrical Engineering Services			
			Electrical Engineering Services			
78 894 457	(75 073 751)	3 820 706		86 614 416	(87 403 034)	(788 617)
			Infrastructure, Engineering & Technical Services			
			Building control and regulations			
-	(1 056 693)	(1 056 693)	Manager: Infrastructure	-	(17 149 784)	(17 149 784)
(3 307)	(10 468 184)	(10 471 491)	Workshops	(9 246)	(25 559 853)	(25 569 099)
-	(981 077)	(981 077)	Project Management Unit	-	(1 156 364)	(1 156 364)
-	-	-	Public Toilets	-	-	-
-	(6 055 897)	(6 055 897)	Roads	-	(4 594 460)	(4 594 460)
25 350 276	(52 600 679)	(27 250 404)	Sewerage and Sanitation	20 826 790	(9 599 933)	11 226 857
-	-	-	Stormwater	-	-	-
-	-	-	Vehicle, Plant and Machinery	-	-	-
32 340 823	(37 751 753)	(5 410 931)	Water	45 438 193	(45 656 225)	(218 033)
255 215 470	(299 645 173)	(44 429 703)	Sub Total	283 486 504	(343 146 258)	(59 659 754)
-	-	-	Less Inter-Departmental Charges	-	-	-
255 215 470	(299 645 173)	(44 429 703)	Total	283 486 504	(343 146 258)	(59 659 754)

**APPENDIX D
NAMA KHOI MUNICIPALITY
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 30 June 2018	Correction of Error	Restated Balance 30 June 2018	Contributions during the year	Interest on Investments	Repaid to National Revenue Fund	Operating Expenditure during the year Transferred to Revenue	Capital Expenditure during the year Transferred to Revenue	Balance 30 June 2019	Unspent 30 June 2019 (Creditor)	Unpaid 30 June 2019 (Debtor)
<u>National Government Grants</u>											
Equitable Share	-	-	-	43 917 000	-	-	(43 917 000)	-	-	-	-
Finance Management Grant	-	-	-	2 215 000	-	-	(2 215 000)	-	-	-	-
Municipal Infrastructure Grant	-	-	-	11 497 000	-	-	(242 209)	(9 390 489)	1 864 302	1 864 302	-
Integrated National Electrification Grant	7 016 524	-	7 016 524	4 000 000	-	-	-	(6 143 694)	4 872 830	4 872 830	-
Water Services Infrastructure Grant	236 375	-	236 375	5 000 000	-	-	(272 452)	(4 446 664)	517 259	517 259	-
Total National Government Grants	7 252 899	-	7 252 899	66 629 000	-	-	(46 646 660)	(19 980 848)	7 254 391	7 254 391	-
<u>Provincial Government Grants</u>											
Expanded Public Works Programme	-	-	-	1 000 000	-	-	-	(999 532)	468	468	-
Libraries, Archives and Museums	105 751	-	105 751	795 000	-	-	(900 751)	-	-	-	-
Department of Water Affairs - WSACDBF	510 747	-	510 747	-	-	-	-	-	510 747	510 747	-
LG SETA	88 138	-	88 138	82 645	-	-	-	-	170 784	170 784	-
Department Sport, Arts and Culture	308 500	-	308 500	-	-	-	-	-	308 500	308 500	-
Swimming Pool	450 000	-	450 000	-	-	-	-	-	450 000	450 000	-
World Cup 2010	52 139	-	52 139	-	-	-	-	-	52 139	52 139	-
Municipal Disaster Recovery Grant	4 542 000	-	4 542 000	9 788 000	-	-	-	(10 442 459)	3 887 541	3 887 541	-
Fire Equipment	52 264	-	52 264	-	-	-	-	-	52 264	52 264	-
Total Provincial Government Grants	6 109 539	-	6 109 539	11 665 645	-	-	(900 751)	(11 441 991)	5 432 442	5 432 442	-
<u>District Municipality</u>											
Namakwa DM	-	-	-	240 532	-	-	(240 532)	-	-	-	-
Total District Municipality Grants	-	-	-	240 532	-	-	(240 532)	-	-	-	-
<u>Other Grant Providers</u>											
Wade Project	40 362	-	40 362	-	-	-	-	-	40 362	40 362	-
Total Other Grant Providers	40 362	-	40 362	-	-	-	-	-	40 362	40 362	-
Total Grants	13 402 800	-	13 402 800	78 535 177	-	-	(47 787 943)	(31 422 839)	12 727 195	12 727 195	-

The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received. No grants were withheld.