Kgatelopele Local Municipality
(Registration number NC086)
Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Municipality
The following is included in the scope of operation	Provision of basic services
Mayoral committee	
Executive Mayor	R Losper
Councillors	SG Edwards
	RC Lessing
	NI Williams
	MG Ngesi
	N Prince
	EM Sulliman
Grading of local authority	Low Capacity
Accounting Officer	M January
Chief Finance Officer (CFO)	O Louw
Registered office	222 Main Rd D Danielskuil 8405
Business address	222 Main Rd D Danielskuil 8405
Bankers	First National Bank
Auditors	Auditor General South Africa
Attorneys	Van De Wall Inc.

Index

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

	Page
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5 - 6
Report of the Auditor General	7
Accounting Officer's Report	8
Statement of Financial Position	9
Statement of Financial Performance	10
Statement of Changes in Net Assets	11
Cash Flow Statement	12
Statement of Comparison of Budget and Actual Amounts	13 - 17
Appropriation Statement	18 - 22
Accounting Policies	23 - 58
Notes to the Annual Financial Statements	59 - 102
Appendixes:	
Appendix B: Analysis of Property, Plant and Equipment	104
Appendix C: Segmental analysis of Property, Plant and Equipment	110
Appendix D: Segmental Statement of Financial Performance	111
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	112
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	114
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	115
Appendix G(1): Budgeted Financial Performance (revenue and expenditure by standard classification)	116
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	118
Appendix G(3): Budgeted Financial Performance (revenue and expenditure)	119
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	121
Appendix G(5): Budgeted Cash Flows	123

Index

GRAP	Generally Recognised Accounting Practice
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme
INEP	Intergrated Electification Programme
MWIG	Municipal Water Infrastructure Grant

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2019 and were signed on its behalf by:

Accounting Officer
Mr. M January

Audit Committee Report

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

Audit committee members and attendance

The audit committee has complied with requirements of KING IV and MFMA for meeting attendance and composition of the audit committee. During the current year 5 meetings were held

Name of member	Number of meetings attended
Mr. J Van Tonder (Chairpersons)	5
Mr. WMS Calitz (Resigned April 2019)	3
Mr. S Thole	4
Ms. N Asiya	1

Audit committee responsibility

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

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

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management was not adequate and effective. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that matters were reported that indicate material deficiencies in the system of internal control. Accordingly, we can report that the system of internal control over financial reporting for the period under review was not efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of annual financial statements

The audit committee has:
- reviewed and discussed the audited annual financial statements and the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the entities compliance with legal and regulatory provisions;

The audit committee is not satisfied with draft annual financial statement submitted for review as there were significant corrections that still need to be processed by management. The set of financial statement was incomplete and inadequate time was available to effect recommendations from the committee.

The committee is of the opinion that the draft annual financial statements and the draft annual performance report should be submitted as at 31 August 2019 to Auditor General.

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to discuss and evaluate the Audit Strategy. The committee can confirm that there are no unresolved issues.

Audit Committee Report

Chairperson of the Audit Committee

Date: ______________________

Report of the Auditor General

To the Provincial Legislature of Kgatelopele Local Municipality

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services and maintaining the best interest of the local community, and operates principally in South Africa.

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

Net deficit of the municipality was R 12 407 283 (2018: deficit R 13 316 317).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 340 324 400 and that the municipality's total liabilities exceed its assets by R 340 324 400.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 2 of 2018).

3. Subsequent events

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

4. Accounting Officer's interest in contracts

None.

5. Accounting policies

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

6. Accounting Officer

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

Name	Nationality
Mr. M January	RSA

7. Non-compliance with applicable legislation

There were some non compliance to the MFMA which resulted in irregular expenditure as disclosed in note xx

The annual financial statements set out on page 8, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2019 and were signed on its behalf by:

Accounting Officer
Mr. M January

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	8	5 696 401	5 492 683
Receivables from exchange transactions - Other debtors	9&13	1 004 042	984 276
Receivables from non-exchange transactions	10&13	(3 707 620)	17 146 758
VAT receivable	11	9 412 493	5 978 751
Receivables from exchange transactions - Consumer debtors	12	6 895 112	27 994 345
Cash and cash equivalents	14	11 886 333	14 242 248
		31 186 761	**71 839 061**
Non-Current Assets			
Investment property	3	46 966 056	43 219 406
Property, plant and equipment	4	304 832 059	283 704 808
Intangible assets	5	248 794	312 973
Heritage assets	6	1 151 058	1 151 058
		353 197 967	**328 388 245**
Total Assets		**384 384 728**	**400 227 306**
Liabilities			
Current Liabilities			
Finance lease obligation		-	2 497
Payables from exchange transactions	17	24 433 069	45 417 975
Consumer deposits	18	1 578 008	1 494 613
Employee benefit obligation	7	248 673	-
Unspent conditional grants and receipts	15	7 257 851	10 928 790
		33 517 601	**57 843 875**
Non-Current Liabilities			
Employee benefit obligation	7	1 169 205	1 429 480
Provisions	16	9 373 522	5 921 258
		10 542 727	**7 350 738**
Total Liabilities		**44 060 328**	**65 194 613**
Net Assets		**340 324 400**	**335 032 693**
Accumulated surplus		340 324 400	335 032 693

* See Note 42

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	38 323 571	37 047 952
Rental of facilities and equipment		96 566	174 850
Licences and permits	22	506 045	2 460 983
Other income	23	777 265	626 565
Interest received - investment	24	1 787 137	992 613
Fair value adjustments		432 194	427 915
Total revenue from exchange transactions		**41 922 778**	**41 730 878**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	11 840 114	12 282 763
Transfer revenue			
Government grants & subsidies	26	67 329 941	47 676 769
Public contributions and donations	27	3 458 585	3 088 480
Fines, Penalties and Forfeits	21	15 272	12 136
Total revenue from non-exchange transactions		**82 643 912**	**63 060 148**
Total revenue	19	**124 566 690**	**104 791 026**
Expenditure			
Employee related costs	28	(31 870 575)	(26 188 820)
Remuneration of councillors	29	(2 567 596)	(2 149 081)
Depreciation and amortisation	30	(19 544 712)	(17 031 514)
Impairment loss/ Reversal of impairments		(37 216 473)	(23 555 208)
Finance costs	31	(678 861)	(1 316 988)
Bad debts written off		(4 421 091)	(4 535 644)
Bulk purchases	32	(17 327 789)	(20 933 592)
Contracted services	33	(11 528 055)	(10 313 009)
Loss on disposal of assets and liabilities		(948 550)	-
General Expenses	34	(10 870 271)	(12 083 487)
Total expenditure		**(136 973 973)**	**(118 107 343)**
Deficit for the year		**(12 407 283)**	**(13 316 317)**

* See Note 42

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**348 349 010**	**348 349 010**
Changes in net assets		
Surplus for the year	(13 316 317)	(13 316 317)
Total changes	(13 316 317)	(13 316 317)
Opening balance as previously reported	357 725 697	357 725 697
Adjustments		
Prior year adjustments	(4 994 014)	(4 994 014)
Restated* Balance at 01 July 2018 as restated*	**352 731 683**	**352 731 683**
Changes in net assets		
Surplus for the year	(12 407 283)	(12 407 283)
Total changes	(12 407 283)	(12 407 283)
Balance at 30 June 2019	**340 324 400**	**340 324 400**

Note(s)

* See Note 42

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		57 572 729	19 722 272
Grants		43 693 877	53 144 757
Interest income		1 787 137	992 613
		103 053 743	73 859 642
Payments			
Employee costs		(34 332 628)	(28 954 906)
Suppliers		(43 096 840)	(46 765 973)
Finance costs		(678 861)	(1 316 988)
Other cash item		1 468 940	14 060 810
		(76 639 389)	(62 977 057)
Net cash flows from operating activities	37	**26 414 354**	**10 882 585**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(38 433 298)	(35 447 538)
Proceeds from sale of property, plant and equipment	4	62 275	-
Purchase of investment property	3	(3 314 456)	-
Purchase of other intangible assets	5	(41 382)	(25 843)
Purchases of heritage assets	6	-	25 000
Other cash item		12 959 089	29 376 146
Net cash flows from investing activities		**(28 767 772)**	**(6 072 235)**
Cash flows from financing activities			
Finance lease payments		(2 497)	2 497
Net increase/(decrease) in cash and cash equivalents		**(2 355 915)**	**4 812 847**
Cash and cash equivalents at the beginning of the year		14 242 248	9 429 401
Cash and cash equivalents at the end of the year	14	**11 886 333**	**14 242 248**

The accounting policies on pages 23 to 58 and the notes on pages 59 to 102 form an integral part of the annual financial statements.

* See Note 42

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	45 983 767	1 770 993	**47 754 760**	38 323 571	**(9 431 189)**	A1
Rental of facilities and equipment	404 052	19 261	**423 313**	96 566	**(326 747)**	A2
Interest received (trading)	284 277	(9 222)	**275 055**	-	**(275 055)**	A3
Agency services	955 502	(274 553)	**680 949**	-	**(680 949)**	A4
Licences and permits	124 480	167 355	**291 835**	506 045	**214 210**	A5
Other income	9 365 576	(830 681)	**8 534 895**	777 265	**(7 757 630)**	A6
Interest received - investment	525 683	372 606	**898 289**	1 787 137	**888 848**	A7
Gains on disposal of assets	291 000	(4 349)	**286 651**	-	**(286 651)**	A8
Total revenue from exchange transactions	**57 934 337**	**1 211 410**	**59 145 747**	**41 490 584**	**(17 655 163)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	14 966 102	-	**14 966 102**	11 840 114	**(3 125 988)**	A9
Transfer revenue						
Government grants & subsidies	23 549 000	379 000	**23 928 000**	67 329 941	**43 401 941**	A10
Public contributions and donations	17 275 000	34 083 941	**51 358 941**	3 458 585	**(47 900 356)**	A11
Fines, Penalties and Forfeits	1 017 509	(299 999)	**717 510**	15 272	**(702 238)**	A12
Total revenue from non-exchange transactions	**56 807 611**	**34 162 942**	**90 970 553**	**82 643 912**	**(8 326 641)**	
Total revenue	**114 741 948**	**35 374 352**	**150 116 300**	**124 134 496**	**(25 981 804)**	
Expenditure						
Personnel	(31 509 686)	(234 733)	**(31 744 419)**	(31 870 575)	**(126 156)**	A13
Remuneration of councillors	(2 539 664)	216 224	**(2 323 440)**	(2 567 596)	**(244 156)**	A14
Depreciation and amortisation	(10 276 407)	-	**(10 276 407)**	(19 544 712)	**(9 268 305)**	A15
Impairment loss/ Reversal of impairments	-	-	**-**	(37 216 473)	**(37 216 473)**	
Finance costs	-	(804 953)	**(804 953)**	(678 861)	**126 092**	A16
Debt Impairment	(11 547 612)	11 547 612	**-**	(4 421 091)	**(4 421 091)**	
Bad debts written off	(5 773 806)	-	**(5 773 806)**	-	**5 773 806**	A17
Bulk purchases	(23 189 958)	1 100 868	**(22 089 090)**	(17 327 789)	**4 761 301**	A18
Contracted Services	(5 099 454)	(7 970 669)	**(13 070 123)**	(11 528 055)	**1 542 068**	A19
Transfers and Subsidies	(3 070 000)	3 070 000	**-**	-	**-**	
Sale of goods/Inventory	(5 026 906)	4 803 941	**(222 965)**	-	**222 965**	A19
General Expenses	(10 833 141)	(1 281 672)	**(12 114 813)**	(10 870 271)	**1 244 542**	A20
Total expenditure	**(108 866 634)**	**10 446 618**	**(98 420 016)**	**(136 025 423)**	**(37 605 407)**	
Operating deficit	**5 875 314**	**45 820 970**	**51 696 284**	**(11 890 927)**	**(63 587 211)**	
Loss on disposal of assets and liabilities	-	-	**-**	(948 550)	**(948 550)**	
Fair value adjustments	53 413	(53 413)	**-**	432 194	**432 194**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	53 413	**(53 413)**	**-**	**(516 356)**	**(516 356)**	
Deficit before taxation	**5 928 727**	**45 767 557**	**51 696 284**	**(12 407 283)**	**(64 103 567)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**5 928 727**	**45 767 557**	**51 696 284**	**(12 407 283)**	**(64 103 567)**	

Reconciliation

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	456 000	-	**456 000**	5 696 401	**5 240 401**	B1
Other financial assets	53 413	-	**53 413**	-	**(53 413)**	B2
Receivables from exchange transactions - Other debtors	-	-	**-**	1 004 042	**1 004 042**	B3
Receivables from non-exchange transactions	15 670 000	-	**15 670 000**	(3 707 620)	**(19 377 620)**	B4
VAT receivable	-	-	**-**	9 412 493	**9 412 493**	B5
Consumer debtors	18 500 000	-	**18 500 000**	6 895 112	**(11 604 888)**	B6
Cash and cash equivalents	1 468 000	-	**1 468 000**	11 886 333	**10 418 333**	B7
	36 147 413	**-**	**36 147 413**	**31 186 761**	**(4 960 652)**	
Non-Current Assets						
Investment property	43 219 000	-	**43 219 000**	46 966 056	**3 747 056**	B8
Property, plant and equipment	278 091 000	-	**278 091 000**	304 832 059	**26 741 059**	B9
Intangible assets	383 000	-	**383 000**	248 794	**(134 206)**	B11
Heritage assets	875 000	-	**875 000**	1 151 058	**276 058**	B12
	322 568 000	**-**	**322 568 000**	**353 197 967**	**30 629 967**	
Total Assets	**358 715 413**	**-**	**358 715 413**	**384 384 728**	**25 669 315**	
Liabilities						
Current Liabilities						
Other financial liabilities	5 126 000	-	**5 126 000**	-	**(5 126 000)**	B13
Payables from exchange transactions	27 029 000	-	**27 029 000**	24 433 069	**(2 595 931)**	B14
Consumer deposits	61 000	-	**61 000**	1 578 008	**1 517 008**	B16
Employee benefit obligation	-	-	**-**	248 673	**248 673**	
Unspent conditional grants and receipts	-	-	**-**	7 257 851	**7 257 851**	B17
Provisions	2 705 000	-	**2 705 000**	-	**(2 705 000)**	B18
	34 921 000	**-**	**34 921 000**	**33 517 601**	**(1 403 399)**	
Non-Current Liabilities						
Employee benefit obligation	-	-	**-**	1 169 205	**1 169 205**	B19
Provisions	-	-	**-**	9 373 522	**9 373 522**	B18
	-	**-**	**-**	**10 542 727**	**10 542 727**	
Total Liabilities	**34 921 000**	**-**	**34 921 000**	**44 060 328**	**9 139 328**	
Net Assets	**323 794 413**	**-**	**323 794 413**	**340 324 400**	**16 529 987**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	323 794 413	-	**323 794 413**	324 401 350	**606 937**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Undefined Difference	**-**	**-**	**-**	**15 923 050**	**15 923 050**	
Total Net Assets	**323 794 413**	**-**	**323 794 413**	**324 401 350**	**606 937**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates	11 972 800	-	**11 972 800**	-	**(11 972 800)**	
Service charges	36 787 200	-	**36 787 200**	-	**(36 787 200)**	
Other revenue	10 374 400	-	**10 374 400**	-	**(10 374 400)**	
Interest income	284 277	614 000	**898 277**	-	**(898 277)**	
Government grants	39 948 000	10 484 000	**50 432 000**	-	**(50 432 000)**	
	99 366 677	**11 098 000**	**110 464 677**	**-**	**(110 464 677)**	
Payments						
Suppliers and employees	(67 366 000)	-	**(67 366 000)**	-	**67 366 000**	
Finance costs	-	-	**-**	(804 953)	**(804 953)**	
Transfers and Grants	5 125 000	(5 125 000)	**-**	-	**-**	
	(62 241 000)	**(5 125 000)**	**(67 366 000)**	**(804 953)**	**66 561 047**	
Net cash flows from operating activities	**37 125 677**	**5 973 000**	**43 098 677**	**(804 953)**	**(43 903 630)**	
Cash flows from investing activities						
Proceeds from sale of property, plant and equipment	300 000	-	**300 000**	-	**(300 000)**	
Purchase of investment property	(16 975 000)	-	**(16 975 000)**	-	**16 975 000**	
Decrease (Increase) in non-current debtors	13 791 034	-	**13 791 034**	-	**(13 791 034)**	
Net cash flows from investing activities	**(2 883 966)**	**-**	**(2 883 966)**	**-**	**2 883 966**	
Cash flows from financing activities						
Increase (decrease) in consumer deposits	12 000	-	**12 000**	-	**(12 000)**	
Net increase/(decrease) in cash and cash equivalents	34 241 711	5 973 000	**40 214 711**	(804 953)	**(41 019 664)**	
Cash and cash equivalents at the beginning of the year	1 468 000	-	**1 468 000**	-	**(1 468 000)**	
Cash and cash equivalents at the end of the year	**35 709 711**	**5 973 000**	**41 682 711**	**(804 953)**	**(42 487 664)**	
Reconciliation						

The accounting policies on pages 23 to 58 and the notes on pages 59 to 102 form an integral part of the annual financial statements.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	14 966 102	-	14 966 102	-		14 966 102	11 840 114		(3 125 988)	79 %	79 %
Service charges	45 983 767	-	45 983 767	-		45 983 767	38 323 571		(7 660 196)	83 %	83 %
Investment revenue	525 683	-	525 683	-		525 683	1 787 137		1 261 454	340 %	340 %
Transfers recognised - operational	23 549 000	-	23 549 000	-		23 549 000	24 041 478		492 478	102 %	102 %
Other own revenue	12 442 394	-	12 442 394	-		12 442 394	1 827 342		(10 615 052)	15 %	15 %
Total revenue (excluding capital transfers and contributions)	**97 466 946**	**-**	**97 466 946**	**-**		**97 466 946**	**77 819 642**		**(19 647 304)**	**80 %**	**80 %**
Employee costs	(31 509 686)	-	(31 509 686)	-	-	(31 509 686)	(31 870 575)	-	(360 889)	101 %	101 %
Remuneration of councillors	(2 539 664)	-	(2 539 664)	-	-	(2 539 664)	(2 567 596)	-	(27 932)	101 %	101 %
Debt impairment	(11 547 612)	11 547 612	-			-	(4 421 091)	-	(4 421 091)	DIV/0 %	38 %
Depreciation and asset impairment	(10 276 407)	-	(10 276 407)			(10 276 407)	(56 761 185)	-	(46 484 778)	552 %	552 %
Finance charges	-	-	-	-	-	-	(678 861)	-	(678 861)	DIV/0 %	DIV/0 %
Materials and bulk purchases	(23 189 958)	-	(23 189 958)	-	-	(23 189 958)	(17 327 789)	-	5 862 169	75 %	75 %
Other expenditure	(29 803 307)	-	(29 803 307)	-	-	(29 803 307)	(23 346 876)	-	6 456 431	78 %	78 %
Total expenditure	**(108 866 634)**	**11 547 612**	**(97 319 022)**	**-**	**-**	**(97 319 022)**	**(136 973 973)**	**-**	**(39 654 951)**	**141 %**	**126 %**
Surplus/(Deficit)	**(11 399 688)**	**11 547 612**	**147 924**	**-**		**147 924**	**(59 154 331)**		**(59 302 255)**	**(39 990)%**	**519 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	15 675 000	-	15 675 000	-		15 675 000	43 288 463		27 613 463	276 %	276 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	3 458 585		3 458 585	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**4 275 312**	**11 547 612**	**15 822 924**	**-**		**15 822 924**	**(12 407 283)**		**(28 230 207)**	**(78)%**	**(290)%**
Surplus/(Deficit) for the year	**4 275 312**	**11 547 612**	**15 822 924**	**-**		**15 822 924**	**(12 407 283)**		**(28 230 207)**	**(78)%**	**(290)%**

Capital expenditure and funds sources

Total capital expenditure	(17 422 925)	-	(17 422 925)	-		(17 422 925)	38 191 424		55 614 349	(219)%	(219)%

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	37 126 000	-	37 126 000	-		37 126 000	26 414 354		(10 711 646)	71 %	71 %
Net cash from (used) investing	12 491 000	-	12 491 000	-		12 491 000	(28 767 772)		(41 258 772)	(230)%	(230)%
Net cash from (used) financing	12 000	-	12 000	-		12 000	(2 497)		(14 497)	(21)%	(21)%
Net increase/(decrease) in cash and cash equivalents	**49 629 000**	**-**	**49 629 000**	**-**		**49 629 000**	**(2 355 915)**		**(51 984 915)**	**(5)%**	**(5)%**
Cash and cash equivalents at the beginning of the year	1 468 000	-	1 468 000	-		1 468 000	14 242 248		12 774 248	970 %	970 %
Cash and cash equivalents at year end	**51 097 000**	**-**	**51 097 000**	**-**		**51 097 000**	**11 886 333**		**39 210 667**	**23 %**	**23 %**

Appropriation Statement

Figures in Rand

	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
2018				
Financial Performance				
Property rates				12 282 763
Service charges				37 047 952
Investment revenue				992 613
Transfers recognised - operational				22 840 042
Other own revenue				3 702 449
Total revenue (excluding capital transfers and contributions)				**76 865 819**
Employee costs	-	-	-	(26 188 820)
Remuneration of councillors	-	-	-	(2 149 081)
Debt impairment	-	-	-	(4 535 644)
Depreciation and asset impairment	-	-	-	(40 586 722)
Finance charges	-	-	-	(1 316 988)
Materials and bulk purchases	-	-	-	(20 933 592)
Other expenditure	-	-	-	(22 396 496)
Total expenditure	**-**	**-**	**-**	**(118 107 343)**
Surplus/(Deficit)				**(41 241 524)**
Transfers recognised - capital				24 836 727
Contributions recognised - capital and contributed assets				3 088 480
Surplus (Deficit) after capital transfers and contributions				**(13 316 317)**
Surplus/(Deficit) for the year				**(13 316 317)**
Capital expenditure and funds sources				
Total capital expenditure				31 439 491

Appropriation Statement

Figures in Rand	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Cash flows				
Net cash from (used) operating				10 882 585
Net cash from (used) investing				(6 072 235)
Net cash from (used) financing				2 497
Net increase/(decrease) in cash and cash equivalents				**4 812 847**
Cash and cash equivalents at year end				**4 812 847**

The accounting policies on pages 23 to 58 and the notes on pages 59 to 102 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

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

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

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

Impairment testing

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

Provisions are measured using management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to the present value where the effect is material.

Useful lives and residual values

The municipality's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policy 1.5 - Property, plant and equipment. These estimates are based on industry norms.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost or income include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 Investment property

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

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

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

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

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

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

1.5 Investment property (continued)

Fair value

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

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

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

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

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

Derecognition

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

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

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

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

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

- Housing to employees in the service of the municipality

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

1.6 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

Accounting Policies

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	10 - 100 years
Plant and machinery	Straight line	5 - 15 years
Furniture and fixtures	Straight line	7 -10 years
Motor vehicles	Straight line	5 - 20 years
Office equipment	Straight line	3 - 5 years
IT equipment	Straight line	3 - 5 years
Solid waste infrastructure	Straight line	10 - 50 years
Sport facilities	Straight line	15 - 30 years
Stormwater infrastructure	Straight line	20 - 50 years
Wastewater network	Straight line	20 - 100 years
Water network	Straight line	15 - 80 years
Heritage	Straight line	Indefinite
Housing	Straight line	15 - 100 years
Road infrastructure	Straight line	7 - 100 years

1.6 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

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

1.7 Intangible assets

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

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

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

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

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

1.7 Intangible assets (continued)

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Licenses and franchises	Straight line	1 year
Computer software, internally generated	Straight line	3 years

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

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

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

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Accounting Policies

1.8 Heritage assets (continued)

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

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

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset’s net selling price and its value in use.

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

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset’s remaining service potential.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

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

Recognition

The municipality recognises a heritage asset as an asset 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.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

1.8 Heritage assets (continued)

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

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

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

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

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

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

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

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

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

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

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

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

1.9 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;

1.9 Financial instruments (continued)

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

Classification

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

Class	Category
Consumer receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost
Comsumer deposits	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

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

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

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The muncipality derecognises financial assets using trade date accounting.

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

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

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

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

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

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

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

Financial liabilities

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

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

1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

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

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

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

1.10 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

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

Initial measurement

1.10 Statutory receivables (continued)

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

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

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

Other charges

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

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

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:
- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

In estimating the future cash flows, an 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 entity discounts the estimated future cash flows using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

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

Derecognition

1.10 Statutory receivables (continued)

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

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

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessor

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

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

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

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

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

1.12 Inventories

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

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

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

Accounting Policies

1.12 Inventories (continued)

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

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

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

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

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

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

1.13 Impairment of cash-generating assets (continued)

Designation

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Composition of estimates of future cash flows

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

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.14 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

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

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

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

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

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

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

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

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

Post-employment benefit plans are formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.15 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.16 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

1.16 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

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

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

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

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

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

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

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

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

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

1.17 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.18 Revenue from exchange transactions

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

1.18 Revenue from exchange transactions (continued)

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

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

Measurement

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

Sale of goods

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

1.19 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

1.19 Revenue from non-exchange transactions (continued)

Measurement

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

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

Taxes

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

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

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

The taxable event for income tax is the earning of assessable income during the taxation period by the taxpayer.

The taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

The taxable event for customs duty is the movement of dutiable goods or services across the customs boundary.

The taxable event for estate duty is the death of a person owning taxable property.

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

1.19 Revenue from non-exchange transactions (continued)

Fines

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether a municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

1.22 Accounting by principals and agents (continued)

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:
- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Comparative figures

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

1.24 Unauthorised expenditure

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

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

1.25 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure excludes unauthorised expenditure.

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

Detailed disclosures are made to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.27 Budget information

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

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

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

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

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

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.28 Related parties

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

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

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

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

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

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

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

1.28 Related parties (continued)

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

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

1.29 Events after reporting date

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

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

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

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

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	The impact of the is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the is not material.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2099	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	01 April 2099	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

3. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	46 966 056	-	46 966 056	43 219 406	-	43 219 406

Reconciliation of investment property - 2019

	Opening balance	**Additions**	**Fair value adjustments**	**Total**
Investment property	43 219 406	3 314 456	432 194	46 966 056

Reconciliation of investment property - 2018

	Opening balance	**Fair value adjustments**	**Total**
Investment property	42 791 490	427 916	43 219 406

Pledged as security

None of the investment property was pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property are in the process of being constructed or developed.

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

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Investment property (continued)

Details of valuation

The effective date of the revaluations was Sunday, 30 June 2019. Revaluations were performed by an qualified independent valuer [specify qualifications], who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment property. The valuer was not connected to the municipality.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

Amounts recognised in surplus and deficit for the year.

Amounts recognised in surplus or deficit

	2019	2018
Rental revenue from Investment property	177 108	1 097 756
From Investment property that generated rental revenue		
Direct operating expenses (excluding repairs and maintenance)	139 457	453 160

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	13 350 612	-	13 350 612	13 353 109	-	13 353 109
Buildings	13 541 618	(7 643 936)	5 897 682	13 482 368	(7 158 648)	6 323 720
Community facilities	11 867 606	(9 514 271)	2 353 335	11 972 965	(9 297 741)	2 675 224
Furniture and fixtures	2 103 438	(1 478 889)	624 549	1 816 259	(1 199 609)	616 650
IT equipment	1 860 442	(1 222 054)	638 388	1 810 264	(857 025)	953 239
Electrical Infrastructure	105 810 331	(56 910 592)	48 899 739	106 705 378	(53 152 010)	53 553 368
Motor vehicles	6 363 761	(3 367 703)	2 996 058	6 495 779	(2 280 730)	4 215 049
Plant and machinery	1 096 939	(997 982)	98 957	1 090 945	(905 130)	185 815
Roads Infrastructure	163 636 710	(89 366 261)	74 270 449	163 636 710	(81 973 755)	81 662 955
Solid Waste Infrastructure	7 654 345	(1 973 284)	5 681 061	4 596 126	(1 663 020)	2 933 106
Storm water Infrastructure	20 844 791	(7 026 763)	13 818 028	20 933 417	(6 343 113)	14 590 304
Wastewater network	48 105 224	(23 493 414)	24 611 810	48 114 695	(21 570 085)	26 544 610
Water network	70 754 830	(22 339 053)	48 415 777	70 854 315	(19 924 155)	50 930 160
Work in progress	63 175 614	-	63 175 614	25 167 499	-	25 167 499
Total	**530 166 261**	**(225 334 202)**	**304 832 059**	**490 029 829**	**(206 325 021)**	**283 704 808**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	WIP Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	13 353 109	-	-	-	(2 497)	-	-	13 350 612
Buildings	6 323 720	-	(22 909)	134 536	(255)	(537 410)	-	5 897 682
Community facilities	2 675 224	-	(18 909)	-	-	(302 980)	-	2 353 335
Electrical Infrastructure	53 553 368	134 989	(838 959)	-	-	(3 949 659)	-	48 899 739
Furniture and fixtures	616 650	99 485	-	-	84 216	(175 802)	-	624 549
IT equipment	953 239	50 179	-	-	-	(362 929)	(2 101)	638 388
Motor vehicles	4 215 049	-	(39 868)	-	-	(1 179 123)	-	2 996 058
Plant and machinery	185 815	5 994	-	-	-	(92 852)	-	98 957
Roads Infrastructure	81 662 955	-	-	-	-	(7 392 506)	-	74 270 449
Solid Waste Infrastructure	2 933 106	-	-	-	3 058 219	(310 264)	-	5 681 061
Storm water Infrastructure	14 590 304	-	-	-	(88 626)	(683 650)	-	13 818 028
Wastewater network	26 544 610	-	(1 554)	-	-	(1 931 246)	-	24 611 810
Water network	50 930 160	-	(88 626)	-	-	(2 407 018)	(18 739)	48 415 777
Work in progress	25 167 499	38 142 651	-	(134 536)	-	-	-	63 175 614
	283 704 808	**38 433 298**	**(1 010 825)**	**-**	**3 051 057**	**(19 325 439)**	**(20 840)**	**304 832 059**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	WIP Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	13 350 611	2 314 174	(45 632)	-	(2 266 044)	-	-	13 353 109
Buildings	6 947 679	-	-	-	-	(623 959)	-	6 323 720
Community facilities	3 030 576	-	-	-	-	(355 352)	-	2 675 224
Electrical Infrastructure	56 886 239	1 008 459	-	-	-	(4 341 330)	-	53 553 368
Furniture and fixtures	851 028	5 988	-	-	-	(240 221)	(145)	616 650
IT equipment	1 128 244	169 679	-	-	-	(315 388)	(29 296)	953 239
Motor vehicles	999 350	3 619 000	-	-	-	(403 301)	-	4 215 049
Plant and machinery	278 337	-	-	-	-	(92 522)	-	185 815
Roads Infrastructure	86 583 160	1 237 656	-	-	-	(6 157 861)	-	81 662 955
Solid Waste Infrastructure	2 343 920	304 367	-	-	533 852	(249 033)	-	2 933 106
Storm water Infrastructure	14 801 074	535 291	-	-	-	(746 061)	-	14 590 304
Wastewater network	28 373 891	-	-	-	5 645	(1 834 926)	-	26 544 610
Water network	50 545 486	3 576 716	-	-	(5 645)	(3 186 397)	-	50 930 160
Work in progress	6 723 925	22 676 208	-	(4 232 634)	-	-	-	25 167 499
	272 843 520	**35 447 538**	**(45 632)**	**(4 232 634)**	**(1 732 192)**	**(18 546 351)**	**(29 441)**	**283 704 808**

Pledged as security

None of the property, plant and equipment has been pledged as security for any financial liability.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	25 167 499	25 167 499
Additions/capital expenditure	38 008 115	38 008 115
	63 175 614	**63 175 614**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	6 723 925	6 723 925
Additions/capital expenditure	22 676 208	22 676 208
Transferred to completed items	(4 232 634)	(4 232 634)
	25 167 499	**25 167 499**

Expenditure incurred to repair and maintain property, plant and equipment

	2019	2018
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	2 017 122	1 225 550

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

5. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, internally generated	531 619	(282 825)	248 794	490 237	(177 264)	312 973

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	312 973	41 382	(105 561)	248 794

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	383 079	25 843	(95 949)	312 973

Pledged as security

None of the intangible asset has been pledged as security for any financial liability.

Intangible assets in the process of being constructed or developed

No intangible assets are in the process of being constructed or developed.

Deemed cost

6. Heritage assets

Notes to the Annual Financial Statements

6. Heritage assets (continued)

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Art Collections, antiquities and exhibits	265 000	-	265 000	265 000	-	265 000
Historical buildings	886 058	-	886 058	886 058	-	886 058
Total	**1 151 058**	**-**	**1 151 058**	**1 151 058**	**-**	**1 151 058**

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Art Collections, antiquities and exhibits	265 000	265 000
Historical buildings	886 058	886 058
	1 151 058	**1 151 058**

Reconciliation of heritage assets 2018

	Opening balance	**Additions**	**Transfers**	**Other changes, movements**	**Total**
Art Collections, antiquities and exhibits	-	-	265 000	-	265 000
Historical buildings	875 000	(25 000)	-	36 058	886 058
	875 000	**(25 000)**	**265 000**	**36 058**	**1 151 058**

Pledged as security

None of the heritage assets were pledged as security for any financial liability.

[Insert terms and conditions here where terms and conditions are the same]

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Expenditure incurred to repair and maintain heritage assets

No expenditure was incurred to repair maintain heritage assets.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations

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

Carrying value		
Opening Balance	(1 429 480)	(1 301 000)
Current service cost	(155 526)	(163 000)
Current interest cost	(109 518)	(137 000)
Expected benefit payments	143 000	66 608
Actuarial gain/(loss)	133 646	104 912
	(1 417 878)	**(1 429 480)**

Non-current liabilities	(1 169 205)	(1 429 480)
Current liabilities	(248 673)	-
	(1 417 878)	**(1 429 480)**

The fair value of plan assets includes:

Net expense recognised in the statement of financial performance

Current service cost	155 526	163 000
Interest cost	109 518	137 000
Actuarial (gains) losses	(133 646)	(104 912)
Benefits paid	(143 000)	(66 608)
	(11 602)	**128 480**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Discount rates used	8,44 %	8,10 %
Net discount rates	2,25 %	2,58 %
Salary increase rates	6,05 %	5,38 %
CPI	5,05 %	4,38 %

Normal retirement age	65	65
Average retirement age	63	63

There are no assets set aside for long service bonus awards funding that qualify as plan assets in terms of the requirements of GRAP25. As such the value ascribed to the fair value of plan assets is nil.

The accrued liability is a function of an additional year of accrued service, interest cost, and less the bonuses payable to staff attaining long service milestones.

The basis on which the discount rate has been determined is as follow:]

At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 8.10% per annum, and the yield on inflation-linked bonds of a similar term was about 3.08% per annum. This implies an underlying expectation of inflation of 4.38% per annum ([1 + 8.10% - 0.50%] / [1 + 3.08%] - 1).

There is an assumption that salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.38% per annum.

However, t is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. It was thus assumed a net discount factor of 2.58% per annum ([1 + 8.10%] / [1 + 5.38%] - 1).

In addition to the normal salary inflation rate, promotional salary increases, which consistent with the prior year valuation, is detailed in the table below was assumed.

Age band	Promotional Increase Rate
20 - 24	5 %
25 – 29	4 %
30 - 34	3 %
35 - 39	2 %
40 - 44	1 %
	15 %

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

Other assumptions

The valuation bases assume that the salary inflation rate (which manifests itself as the annual increase in employees' salaries which determine the bonuses payable) will be 2.58% less than the corresponding discount rate, in the long term. The effect of a one percent increase and decrease in the salary inflation rates is as follows

	One percentage point increase	One percentage point decrease
Employer's accrued liability	1 329 747	1 515 471
Employer's current service cost	131 797	154 123
Employer's interest cost	103 389	114 268

Due to lack of information disclosures for the past 2 years could not be made. In addition to this there are no experiance adjustments on the plan liabilities. The following are the balances for the obligation:

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	1 429 480	1 417 878	1 301 000	-	-

8. Inventories

	2019	2018
Land inventory	3 425 410	3 425 410
Consumable stores	1 001 881	862 961
Maintenance materials	907 717	781 460
Water	361 393	422 852
	5 696 401	**5 492 683**

	2019	2018
Inventories recognised as an expense during the year	122 057	682 336

In the current year there were inventory items which were transferred to the at no value onto the financial system in the 2011/12 financial year. The inventory items are considered to be obselete as these items have no movement since they were taken onto the financial system. It is impractical to obtain the value of the stock write off of these stock items. The total number of items which are affected by the above are 26 inventory items.

Inventory pledged as security

None of the inventory were pledged as security for any financial liability.

9. Receivables from exchange transactions - Other debtors

	2019	2018
Trade debtors	561	893
Other receivables - recoveries from staff	29 290	-
Prepaid expenses	974 191	983 383
	1 004 042	**984 276**

Trade and other receivables pledged as security

None of the trade receivablesfromexchange transactions were pledged as security for any financial liability.

Figures in Rand	2019	2018

9. Receivables from exchange transactions - Other debtors (continued)

Credit quality of trade and other receivables

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

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 2% higher than the prime rate for the period.

Trade and other receivables past due but not impaired

There were no trade and other receivables fromexchange transactions which were impaired.

10. Receivables from non-exchange transactions

	2019	2018
Fines	1 778 836	1 828 029
Levies	-	177 948
Consumer debtors - Rates	(5 486 456)	15 140 781
	(3 707 620)	**17 146 758**

Receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions have been pledged as security for any financial liabilities.

Credit quality of receivables from non-exchange transactions

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

Consumer receivables from non exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R - (2018: R -) were past due but not impaired.

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

Receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R - (2018: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 2019 (2018: R -).

The ageing of these loans is as follows:

Reconciliation of provision for impairment of receivables from non-exchange transactions

11. VAT receivable

	2019	2018
VAT	9 412 493	5 978 751

VAT is payable on the payment basis. VAT is paid over to the South African Revenue Services (SARS) only once payment is received from debtors.

Figures in Rand	2019	2018

11. VAT receivable (continued)

MFMA Disclosures		
Opening Balance	7 984 393	5 999 622
VAT payable	(368 796)	(318 675)
VAT Claimed not yet received	1 665 552	1 058 445
	9 281 149	**6 739 392**

12. Receivables from exchange transactions - Consumer debtors

Gross balances		
Electricity	4 597 184	8 191 841
Water	19 105 858	18 379 139
Sewerage	8 542 718	8 135 991
Refuse	9 528 813	8 983 872
Housing rental	14 189	15 880
Sundry receivables	2 322 823	7 842 830
	44 111 585	**51 549 553**

Less: Allowance for impairment		
Electricity	(3 817 603)	(2 719 692)
Water	(18 331 755)	(9 671 249)
Sewerage	(7 850 038)	(4 737 266)
Refuse	(7 217 077)	(6 395 374)
Housing rental	-	(31 627)
	(37 216 473)	**(23 555 208)**

Net balance		
Electricity	779 581	5 472 149
Water	774 103	8 707 890
Sewerage	692 680	3 398 725
Refuse	2 311 736	2 588 498
Housing rental	14 189	(15 747)
Sundry Receivables	2 322 823	7 842 830
	6 895 112	**27 994 345**

Electricity		
Current (0 -30 days)	(2 734)	(6 630)
31 - 60 days	1 425 319	980 461
61 - 90 days	491 880	733 956
>91 days	5 071 209	6 414 196
Less: Allowance for impairment	(6 206 093)	(2 649 834)
	779 581	**5 472 149**

Water		
Current (0 -30 days)	156 095	296 522
31 - 60 days	1 551 294	1 215 298
61 - 90 days	1 266 060	1 043 290
>91 days	18 965 434	17 842 422
Less: Allowance for impairment	(21 164 780)	(11 689 642)
	774 103	**8 707 890**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Receivables from exchange transactions - Consumer debtors (continued)

Sewerage		
Current (0 -30 days)	27 600	48 484
31 - 60 days	648 554	510 368
61 - 90 days	468 611	444 283
>91 days	8 795 935	7 983 973
Less: Allowance for impairment	(9 248 020)	(5 588 383)
	692 680	**3 398 725**
Refuse		
Current (0 -30 days)	17 059	29 003
31 - 60 days	1 120 895	945 207
61 - 90 days	979 346	880 434
>91 days	8 801 379	8 618 961
Less: Allowance for impairment	(8 606 943)	(7 885 107)
	2 311 736	**2 588 498**
Housing rental		
31 - 60 days	3 579	11 429
61 - 90 days	3 579	9 368
> 90 days	9 159	44 333
Less: Allowance for impairment	(2 128)	(80 877)
	14 189	**(15 747)**
Sundry receivables		
Current (0 -30 days)	(4 476)	(1 735 975)
31 - 60 days	16 853	22 955
61 - 90 days	8 050	26 163
91 - 120 days	2 386 396	9 864 120
Less: Allowance for impairment	(84 000)	(334 433)
	2 322 823	**7 842 830**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(23 555 208)	-
Debt impairment written off against allowance	(13 661 265)	(23 555 208)
	(37 216 473)	**(23 555 208)**

Consumer debtors pledged as security

No consumer debtors were pledged as security

Credit quality of consumer debtors

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

Trade receivables

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

12. Receivables from exchange transactions - Consumer debtors (continued)

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R - (2018: R -) were past due but not impaired.

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

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R - (2018: R -) were impaired and provided for.

The amount of the provision was R - as of 30 June 2019 (2018: R -).

The ageing of these loans is as follows:

Reconciliation of allowance for impairment of consumer debtors

13. Consumer debtors disclosure

	2019	2018
Gross balances		
Consumer debtors - Rates	(5 486 456)	15 140 781
Net balance		
Consumer debtors - Rates	(5 486 456)	15 140 781
Rates		
Current (0 -30 days)	9 391	1 609
31 - 60 days	1 498 991	1 368 073
61 - 90 days	1 057 286	1 390 153
> 90 days	12 041 664	14 322 966
Less: Allowance for impairment	(20 093 788)	(1 942 020)
	(5 486 456)	**15 140 781**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

13. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2019	2018
Residential and Sundry		
Current (0 -30 days)	9 391	1 609
31 - 60 days	841 695	660 694
61 - 90 days	546 335	510 374
> 91 days	7 972 705	8 426 565
	9 370 126	**9 599 242**
Business and Commercial Properties		
31 - 60 days	604 353	693 358
61 - 90 days	471 246	626 307
> 91 days	3 330 570	1 935 612
	4 406 169	**3 255 277**
National and provincial government		
31 - 60 days	52 942	14 020
61 - 90 days	39 705	253 471
> 91 days	738 389	76 748
	831 036	**344 239**
Total		
Current (0 -30 days)	9 391	1 609
31 - 60 days	1 498 991	1 368 073
61 - 90 days	1 057 286	1 390 153
> 91 days	12 041 664	10 438 926
	14 607 332	13 198 761
Less: Allowance for impairment	(14 607 332)	(13 198 761)
	-	-

Reconciliation of allowance for impairment

	2019	2018
Balance at beginning of the year	(1 086 771)	-
Contributions to allowance	29 031	(1 086 771)
	(1 057 740)	**(1 086 771)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Bank balances	785 448	2 060 664
Short-term deposits	11 100 885	12 181 584
	11 886 333	**14 242 248**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

No cash and cash equivalent was pledged as security

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
First National Bank - MIG Call account 62021476313	1 719 620	11 002 066	5 130 017	1 726 159	11 002 066	5 130 017
First National Bank - INEP Call account 62289233547	1 369 570	199	50 912	1 369 570	199	2 704 307
First National Bank - Business Cheque Account 52003878794	790 650	3 040 877	325 922	785 448	2 060 664	-
First National Bank - MSIG Call account 62627395347	3 457 935	57	349 325	3 457 935	57	349 325
First National Bank - FMG Call account 62627396155	260 059	799 788	301 833	260 059	799 788	34 262
First National Bank - EPWP Call account 62627396915	4 775	53 760	-	4 775	53 760	40 148
First National Bank - Library Call account 62627394498	5 014	181 367	182 135	5 014	181 367	182 135
First National Bank - WSIG Call account 62714846500	4 277 732	22 111	-	4 277 232	22 111	-
First National Bank - Corporate account 62798890630	142	-	-	142	-	-
Total	**11 885 497**	**15 100 225**	**6 340 144**	**11 886 334**	**14 120 012**	**8 440 194**

15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Intergrated Electrification Grant - INEP	1 369 570	-
Financial Management Grant - FMG	(157 478)	388 999
Municipal Infrastructure Grant - MIG	1 719 620	10 472 999
Housing Grant	66 792	66 792
Municipal Water Infrastructure Grant - MWIG	4 259 347	-
	7 257 851	**10 928 790**

Movement during the year

Balance at the beginning of the year	10 928 792	5 464 558
Additions during the year	63 536 398	53 102 052
Income recognition during the year	(67 207 339)	(47 637 820)
	7 257 851	**10 928 790**

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

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

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

These amounts are invested in a ring-fenced investment until utilised.

16. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Reversed during the year	Total
Environmental rehabilitation	2 704 540	3 058 219	-	5 762 759
Bonus Provision	633 386	480 485	-	1 113 871
Leave Provision	2 583 332	-	(86 440)	2 496 892
	5 921 258	**3 538 704**	**(86 440)**	**9 373 522**

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	2 170 688	533 852	2 704 540
Bonus Provision	615 235	18 151	633 386
Leave Provision	1 243 658	1 339 674	2 583 332
	4 029 581	**1 891 677**	**5 921 258**

Environmental rehabilitation provision

The enviromental rehabilitation provision is in respect of the cost for the rehabilitation of the landfill site after its closure.

The closure of the enviromental rehabilitation site remains uncertain and have been provided for in accordance the Standards of GRAP, Provisions and contingencies.

As per the available data to the consulting engineers, the landfill site in Danielskuil is not licensed. The refuge disposal area is approximately 12 376m2.

Key Assumptions:

The remaining useful life at 2019 of the Danielskuil Landfill Site is expected to be 8 years and will be operational until 2027.

The rehabilitation cost has been escalated to account for the increase in construction cost at the time of closure and rehabilitation. Engineering and construction indices, drawn from SAFCEC and STATS SA, were used to determine the escalation rates. Current year improvements were also taken into account to determine the rehabilitation costs.

The discount rate used for the provision for the restoration liability was based on the yield of RSA government bonds for 5-10 years (KBP2002M), the provisions at 30 June 2019.

The main factors in the determination of the provision are the rehabilitation costs, expected remaining useful life of the site, the expected escalation rate and the discount rate to be used. The following key parameters were used in the calculation of the 2019 landfill provisions:

- Site remaining life at June 2019 (RUL years)	8,00
- Discount Rate (Bond rate)	8,74
- Escalation Rate (SAFCEC)	14,58

The amount of any expected reimbursement, stating the amount of any asset that has been recognised for that expected reimbursement.

Bonus Provision

Bonus is paid to all muncipal staff excluding section 57 employees. The balance at year end respresent the portion of the bonus that have already vested for the current salary cycle.

Leave provision

Figures in Rand	2019	2018

16. Provisions (continued)

Leave accrual to staff according to the collective agreement. Provision is made for the full cost of accrued leave at reporting date. Provision will be realised as employees is taking leave.

17. Payables from exchange transactions

	2019	2018
Trade payables	17 084 380	25 421 434
Payments received in advanced - contract in process	1 772 069	(32 276)
Other payable	121 175	1 347
Accrued leave pay	8 587 359	8 426 913
Accrued expense	11 339	811 340
Accrued audit fees	(6 417 233)	5 682 201
Unallocated deposits	3 521 856	5 354 892
Salary control account	(247 876)	(247 876)
	24 433 069	**45 417 975**

18. Consumer deposits

	2019	2018
Electricity	1 577 343	1 493 863
Housing rental	665	750
	1 578 008	**1 494 613**

19. Revenue

	2019	2018
Service charges	38 323 571	37 047 952
Rental of facilities and equipment	96 566	174 850
Licences and permits	506 045	2 460 983
Other income - (rollup)	777 265	626 565
Interest received - investment	1 787 137	992 613
Property rates	11 840 114	12 282 763
Government grants & subsidies	67 329 941	47 676 769
Public contributions and donations	3 458 585	3 088 480
Fines, Penalties and Forfeits	15 272	12 136
	124 134 496	**104 363 111**

	2019	2018
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	38 323 571	37 047 952
Rental of facilities and equipment	96 566	174 850
Licences and permits	506 045	2 460 983
Other income - (rollup)	777 265	626 565
Interest received - investment	1 787 137	992 613
	41 490 584	**41 302 963**

	2019	2018
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	11 840 114	12 282 763
Transfer revenue		
Government grants & subsidies	67 329 941	47 676 769
Public contributions and donations	3 458 585	3 088 480
Fines, Penalties and Forfeits	15 272	12 136
	82 643 912	**63 060 148**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

20. Service charges

Sale of electricity	21 229 629	20 234 251
Sale of water	7 725 451	7 512 916
Solid waste	5 699 211	3 809 046
Sewerage and sanitation charges	3 669 280	5 491 739
	38 323 571	**37 047 952**

21. Fines, Penalties and Forfeits

Illegal Connections Fines	15 272	12 136

22. Licences and permits (exchange)

Road and Transport	506 045	2 460 983

23. Other income

Administrative Handling Fees	38 689	513 583
Advertisements	-	2 190
Rezoning and consolidation fees	34 878	3 754
Clearance Fees	15 135	7 369
Photocopies and Faxes	2 357	1 696
Sale of goods	75 717	168 387
Staff Recoveries	119	-
Valuation services	12 388	1 977
Sundries	597 982	(72 391)
	777 265	**626 565**

24. Interest received

Interest on cash and cash equivalents	1 195 089	850 591
Interest charged on consumer receivables	592 048	142 022
	1 787 137	**992 613**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

25. Property rates

Rates received

	2019	2018
Residential	5 016 762	4 810 234
Commercial	4 573 171	4 654 304
State	874 230	338 240
Small holdings and farms	1 375 951	2 478 448
Property rates 1	-	1 537
	11 840 114	**12 282 763**

Valuations

	2019	2018
Residential	623 716 300	623 716 300
Commercial	1 282 347 859	1 282 347 859
State	34 008 000	34 008 000
Municipal	64 244 100	64 244 100
	2 004 316 259	**2 004 316 259**

Valuations on land and buildings are performed every 4 years. The municipality is to implement the new valuation roll in the 2019/20 financial year. The last general valuation came into effect on the 1st July 2013 and the municipality received an extention from the responsible MEC. Interim valuations are to be processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions however this was not performed within the muncipality.

The new general valuation will be implemented on 01 July 2020.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies

	2019	2018
Operating grants		
Equitable share	20 469 000	18 974 000
Library Grant	655 000	872 256
Expanded Public Works Programme	-	1 000 001
Financial Management Grant	2 917 478	1 993 785
	24 041 478	**22 840 042**
Capital grants		
Intergrated Electrification Grant	1 330 430	-
Municipal Infrastructure Grant	36 717 380	20 836 727
Municipal Water Infrastructure Grant	5 240 653	4 000 000
	43 288 463	**24 836 727**
	67 329 941	**47 676 769**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2019	2018
Conditional grants received	43 290 038	28 667 574
Unconditional grants received	22 454 430	18 974 000
	65 744 468	**47 641 574**

Equitable Share

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

Library grant

	2019	2018
Balance unspent at beginning of year	-	149 256
Current-year receipts	655 000	723 000
Conditions met - transferred to revenue	(655 000)	(872 256)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The Library grant was allocated to improve and expand library services in the community.

Intergrated National Electrification Grant

	2019	2018
Current-year receipts	2 700 000	-
Conditions met - transferred to revenue	(1 330 430)	-
	1 369 570	**-**

Conditions still to be met - remain liabilities (see note 15).

The Municipal Systems Infrastructure Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

Financial Management Grant

	2019	2018
Balance unspent at beginning of year	388 999	37 784
Current-year receipts	2 415 000	2 345 000
Conditions met - transferred to revenue	(2 917 477)	(1 993 785)

Figures in Rand	2019	2018

26. Government grants and subsidies (continued)

Other	(44 000)	-
	(157 478)	**388 999**

Conditions still to be met - remain liabilities (see note 15).

The Financial Management Grant was allocated to promote and support municipal finance management reforms and assist municipalities with the implementation and governance processes as prescribed by the Municipal Finance Management Act (Act 56 of 2003).

Municipal Infrastructure Grant

Balance unspent at beginning of year	10 472 999	5 199 785
Current-year receipts	27 975 000	26 099 000
Conditions met - transferred to revenue	(36 717 379)	(20 825 786)
Surrendered to Treasury	(11 000)	-
	1 719 620	**10 472 999**

Conditions still to be met - remain liabilities (see note 15).

The Municipal Systems Infrastructure Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems.

Housing Grant

Balance unspent at beginning of year	66 792	66 792

Conditions still to be met - remain liabilities (see note 15).

Provide explanations of conditions still to be met and other relevant information.

Expanded Public Works Grant

Current-year receipts	-	1 000 000
Conditions met - transferred to revenue	-	(1 000 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 15).

The Expanded Public Works Programme Grant was allocated to the municipality to assist in funding of the approved projects of the municipality as contained within the annual financial statements.

Municipal Water Infrastructure Grant

Current-year receipts	9 500 000	4 000 000
Conditions met - transferred to revenue	(5 240 653)	(4 000 000)
	4 259 347	**-**

Conditions still to be met - remain liabilities (see note 15).

The Municipal Water Infrastructure Grant was allocated for the water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions to provide for new, rehabilitated and upgraded municipal infrastructure.

Changes in level of government grants

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies (continued)

Based on the allocations set out in the Division of Revenue Act, (Act 02 of 2018), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

27. Public contributions and donations

Private donations/assistance received	3 458 585	3 088 480

Conditions still to be met - remain liabilities (see note 15)

Public contributions and donations comprises of donations received from the mining companies and residents within the boundaries of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Employee related costs

Basic	21 319 926	18 115 802
Bonus	1 443 696	1 327 754
Medical aid - company contributions	1 603 772	1 394 673
UIF	174 918	149 089
Leave pay provision charge	394 044	-
Leave pay	53 036	111 662
Standby Allowance	203 959	199 014
Cellular and Telephone Allowance	14 037	13 300
Overtime payments	1 401 786	1 436 062
Long-service awards	135 394	185 752
Acting allowances	-	321 432
Travel allowance	411 453	84 256
Housing benefits and other allowances	633 403	91 633
Bargaining Council	11 558	9 594
Group Life Insurance	12 868	12 111
Pension Contributions	3 208 873	2 736 686
Perfromance Bonus	66 008	-
	31 088 731	**26 188 820**

Remuneration of municipal manager: M January

Annual Remuneration	506 954	230 664
Performance Bonuses	66 008	-
Contributions to UIF, Medical and Pension Funds	148 995	66 454
Travel allowance	415 095	64 787
Re-imburse Travel and Subsistence	23 266	32 490
Scarcity allowance	74 027	-
	1 234 345	**394 395**

In addition to the above the Municipal Manager is provided with a fully furnished municipal housing which is fully furnitured. The Municipal Manager is responsible for the services and utilities of the property. Mr M January's term commenced from 1 March 2018

Remuneration of municipal manager: AM Motswana

Annual Remuneration	-	444 387
Travel allowance	-	108 710
Contributions to UIF, Medical and Pension Funds	-	6 999
Leave pay	-	58 638
Other	-	29 095
Subsistence	-	4 200
	-	**652 029**

Mr Am Motswana's term as Municipal Manager ended on the 31st January 2018.

Remuneration of chief financial official officer: ON Louw

Annual Remuneration	474 655	238 620
Travel and other allowances	306 803	47 646
Scarcity allowance	54 703	-
Re-imburse Travel and Subsistence	5 796	-
Contributions to UIF, Medical and Pension Funds	9 933	5 002
Other	-	5 066
	851 890	**296 334**

28. Employee related costs (continued)

Ms ON Louw's term commenced from 1 March 2018.

Remuneration of the technical manager: T Barnett

	2019	2018
Annual Remuneration	574 022	-
Travel and other allowances	142 316	-
Scarcity allowance	50 144	-
Contributions to UIF, Medical and Pension Funds	13 512	-
Re-imburse Travel and Subsistence	17 131	-
	797 125	**-**

Mr T Barnett's term commenced from 1 August 2018

29. Remuneration of councillors

	2019	2018
Councillors	2 567 596	2 149 081

In-kind benefits

The Mayor is appointed in an exceutive capacity. A number of councillors are provided with an office and secreterial support at the cost of the muncipality.

The Mayor has use of a Council owned vehicle for official duties and is provided with a laptop to execute his duties. All Councillors are provided with a laptop and 3G modem for the execution of their duties.

Councillor remuneration is in line with the upper limits as Gazetted in the framework envisaged in section 219 of the Constitution.

The Mayor has a full time driver for executing official duties, at the cost of the municipality.

2019	**Councillor allowance**	**Cellphone allowance**	**Subsistance and travel allowance**	**Backpay**	**Total**
Mayor	517 320	40 800	6 750	18 497	583 367
Councillors	1 679 138	244 800	12 885	47 406	1 984 229
	2 196 458	**285 600**	**19 635**	**65 903**	**2 567 596**

2018	**Councillor allowane**	**Cellphone allowane**	**Total**
Mayor	461 947	36 500	498 447
Councillors	1 440 184	210 450	1 650 634
	1 902 131	**246 950**	**2 149 081**

30. Depreciation and amortisation

	2019	2018
Property, plant and equipment	19 544 712	17 031 514

31. Finance costs

	2019	2018
Trade and other payables	678 861	1 316 988

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Finance costs (continued)

Capitalisation rates used during the period were -% on specific borrowings for capital projects and -% being the weighted average cost of funds borrowed generally by the municipality.

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2018: R -).

32. Bulk purchases

	2019	2018
Electricity	17 327 789	20 933 592

33. Contracted services

	2019	2018
Outsourced Services		
Catering Services	43 757	45 939
Personnel and Labour	217 912	21 347
Professional Staff	4 324 834	4 473 290
Refuse Removal	1 574 088	251 377
Researcher	216 971	-
Security Services	1 973 834	1 643 544
Consultants and Professional Services		
Infrastructure and Planning	518 219	342 422
Medical Services	10 918	-
Legal Cost	303 507	1 064 686
Contractors		
Maintenance of Buildings and Facilities	-	557 176
Maintenance of Vehicle, Plant and Machinery	1 370 816	970 465
Maintenance of Infrastructure	973 199	704 085
Management of Informal Settlements	-	238 678
	11 528 055	**10 313 009**

Included in contracted services is repairs and maintance which was made on PPE and Investment property amounting to R2 360 609 (2018: R 2 587 820)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. General expenses

Advertising	94 152	86 609
Auditors remuneration	4 260 159	5 214 913
Bank charges	242 004	311 733
Computer expenses	548 833	299 043
Consumables	122 834	100 827
Insurance	1 152 901	70 945
Conferences and seminars	415 255	278 368
Fleet	828 675	-
Motor vehicle expenses	114 247	19 831
Postage and courier	2 377	116 549
Printing and stationery	447 802	426 893
Subscriptions and membership fees	1 991	499 124
Telephone and fax	514 853	482 505
Travel - local	577 943	723 668
Water	61 459	8 130
Utilities	5 283	5 211
Uniforms	424 931	128 715
Ward committees	189 000	7 130
Skills Development levy	320 648	266 078
Water sample testing	372 776	333 772
Other expenses	172 148	2 703 443
	10 870 271	**12 083 487**

35. Auditors' remuneration

Fees	4 260 159	5 214 913

36. Operating deficit

Operating deficit for the year is stated after accounting for the following:

Loss on sale of property, plant and equipment	(948 550)	-
Impairment on trade and other receivables	37 216 473	23 555 208
Depreciation on property, plant and equipment	19 544 712	17 031 514
Employee costs	34 438 171	28 337 901

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Cash generated from operations

	2019	2018
Deficit	(12 407 283)	(13 316 317)
Adjustments for:		
Depreciation and amortisation	19 544 712	17 031 514
Gain on sale of assets and liabilities	948 550	-
Fair value adjustments	(432 194)	(427 915)
Impairment deficit	37 216 473	23 555 208
Debt impairment	4 421 091	4 535 644
Movements in retirement benefit assets and liabilities	(11 602)	1 429 480
Movements in provisions	3 452 264	5 921 258
Changes in working capital:		
Inventories	(203 718)	(5 492 683)
Receivables from exchange transactions - Other debtors	(35 640 267)	(24 539 484)
Consumer debtors	16 678 142	(32 529 989)
Other receivables from non-exchange transactions	20 854 378	(17 146 758)
Payables from exchange transactions	(20 984 906)	45 417 975
VAT	(3 433 742)	(5 978 751)
Unspent conditional grants and receipts	(3 670 939)	10 928 790
Consumer deposits	83 395	1 494 613
	26 414 354	**10 882 585**

38. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	1 466 444	1 466 444
Consumer receivables	7 712 432	7 712 432
Cash and cash equivalents	11 886 334	11 886 334
	21 065 210	**21 065 210**

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	31 630 522	31 630 522
Consumer deposits	1 494 528	1 494 528
	33 125 050	**33 125 050**

2018

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	984 276	984 276
Consumer receivables	14 585 854	14 585 854
Cash and cash equivalents	14 243 410	14 243 410
	29 813 540	**29 813 540**

Financial liabilities

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Financial instruments disclosure (continued)

	At amortised cost	Total
Payables from exchange transactions	34 951 574	34 951 574
Consumer deposits	1 494 614	1 494 614
	36 446 188	**36 446 188**

39. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	169 945 406	21 468 522
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	-	11 418 182
Total capital commitments		
Already contracted for but not provided for	169 945 406	21 468 522
Not yet contracted for and authorised by accounting officer	-	11 418 182
	169 945 406	**32 886 704**

40. Contingencies

TThe municipalty has various claims against it in regards to services rendered by various suppliers and also damages the suppliers or individuals incurred.

Litigation

Claim for services rendered:

Litigation is in the process against the municipality relating to a service provider relating to services rendered. The plaintiff is claiming an amount of R 1,420,465 plus interest at prescribed rate.

The matter has been defended and pleadings exchanged. The pre-trail wil be conducted in due course after which a trail date will be obtained.

The financial exposure to the municpality regarding this matter is R 90,000 for cost and disbursements.

Labour court matters:

Review of arbitration award relating to payment of bonuses. The plaintiff is claiming payment of annual bonuses of 18 employees plus interest at prescribed rate. The financial effect of the claim is uncertain.

The matter has been opposed but applicant still to file the record.

The financial exposure to the municpality regarding this matter is R 40,000 for cost and disbursements. The municipality's lawyers and management is of the opion that the matter appears on face value to be devoid of any possible merit.

Labour court matters:

Review of arbitration award relating to unfair labour practice. The financial effect of the claim is uncertain.

All documents have been exchanged and awaiting hearing date.

The financial exposure to the municpality regarding this matter is R 65,000 for cost and disbursements.

Claim for damages:

Litigation is in the process against the municipality relating to a claim for damages to an amount of R 100,000 plus interest at prescribed rate.

The trail date has been arranged for 25 September 2019.

The financial exposure to the municpality regarding this matter is R 30,000 for cost and disbursements.

Claim for damages:

Litigation is in the process against the municipality relating to a claim for damages to an amount of R 100,000 plus interest at prescribed rate.

The trail date has been arranged for 25 September 2019.

The financial exposure to the municpality regarding this matter is R 30,000 for cost and disbursements.

Contingent assets

High court interdict:

Kgatelopele Local Municipality obtained an interdict in respect of a motion of no confidence in the mayor.

40. Contingencies (continued)

The matter was finalised in favour of the municipality with cost.

The cost to the municpality regarding this matter was R 10,000. The municipalty's lawyers is in the process of attemping to recover the cost.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Members of key management	Municipal Manager - MA January
	Chief Financial Officer - ON Louw
	Technical Services - TA Barnet

There were no related party transactions identified during the year except for those already disclosed in the AFS

Related party balances

Amount included in Trade receivables regarding related parties		
EM Sulliman	4 142	14 693
SG Edwards	455	4 611

Amounts included in trade receivables are in respect of services rendered and billings by the municipality for municipal services.

Provision for bad debts is in accordance with the municipality's policy and based on the repayment rate of the account holder. The bad debt provision doesnot include any amounts for related parties.

Related parties commitments and expenditure:

One of the councillors disclosed on 01 March 2017 that his son is in a partnership that was contracting with the municipality on that date. Complete disclosure of this interest was made at the date of awarding the tender.The councillor disclosed other interests on 01 March 2017.

The municipality currently has two contracts with the related parties:
(a) A subcontract for the extension of the waste water infrastructure project, and
(b) Management of the landfill site

Declarations of interest pertaining to both tenders have been submitted on the prescribed documentation prior to the award of the tender.

The said councillor has no direct or indirect financial interest relevant to the decisionmaking in the tender processes of the municipality and also has no interest relating to the businesses and the operations thereof nor the decisionmaking of the relevant entities as indicated above.

Related parties commitments		
Management of Landfill site	2 398 069	4 169 760
Extension of oxidation pond (Phase 1)	1 473 306	4 052 669
Extension of oxidation pond (Phase 2)	1 430 773	-

Expenditure with related parties		
Management of Landfill site	1 863 691	92 000
Extension of oxidation pond (Phase 1)	6 567 780	3 988 417
Extension of oxidation pond (Phase 2)	5 002 447	-

Related party transactions

Sevices billed to related parties		
SG Edwards	6 071	4 488
EM Sulliman	60 666	57 476

Receipts from related parties		
SG Edwards	10 227	574
EM Sulliman	73 848	62 620

Interest paid by related parties relate to interest levied on accounts in arrears, as per approved municipality policy.

41. Related parties (continued)

Purchases by related parties relate to the services rendered and billed to the related parties in accordance with the approved policies of the municipality.

Only related parties that have a property registered in their name reflects in this disclosure per GRAP 20.

Key management information

Class	Name
Chair person	NI Williams
Councillor	SG Edwards
Councillor	EM Sulliman
Councillor	N Prince
Councillor	MG Ngesi
Councillor	R Losper
Councillor	RC Lessing
Accounting Officer	M January
Chief Financial Officer	ON Louw

Details relating to remuneration are disclosed in note 29 for key management and note 30 for councillors.

42. Prior period errors

The following prior period errors were identified during the year under review:

42. Prior period errors (continued)

42.1 Prior period error - Correction of Computer equipment

	2019	2018
Increase in Accumulated depreciation	-	(90 945)
Decrease in Accumulated surplus	-	455 373
Increase in Depreciation and Impairments	-	(364 428)
	-	-

During the period under review it was noted that the prior year's Computer equipment register was not correct to agree to the trial balance and Financial Statement at 30 June 2018.

42.2 Prior period error - Correction of Furniture and Fittings

	2019	2018
Increase in Accumulated Depreciation	-	(257 323)
Decrease in Accumulated surplus	-	283 587
Increase in Depreciation and Impairments	-	(26 264)
	-	-

During the period under review it was noted that the prior year's Furniture & Fittings register was not corrected to agree to the Financial Statement at 30 June 2018.

42.3 Prior period error - Correction of Motor Vehicles

	2019	2018
Increase in Historical Cost Motor Vehicles	-	3 178 899
Increase in Accumulated Depreciation	-	(897 162)
Increase in Accumulated surplus	-	(1 268 946)
Increase in Depreciation and Impairment	-	(1 012 791)
	-	-

During the period under review it was noted that the prior year's Motor Vehicle register was not correct to agree to the Financial Statement at 30 June 2018.

42.4 Prior period error - Correction of Office Equipment

	2019	2018
Decrease in Historical cost Office equipment	-	(133 328)
Increase in Acummulated depreciation	-	(139 531)
Decrease Accumulated surplus	-	272 074
Decease in Depreciation and Impairments	-	785
	-	-

During the period under review it was noted that the prior year's Office Equipment register was not correct to agree to the Financial Statement at 30 June 2018.

42.5 Prior period error - Correction of Plant and Equipment

	2019	2018
Increase in Accumlated Depreciations	-	(446 112)
Decrease in Accumulated surplus	-	446 318
Increase in Depreciation and Impairments	-	(206)
	-	-

During the period under review it was noted that the prior year's Plant & Equipment register was not correct to agree to the Financial Statement at 30 June 2018.

42.6 Prior period error - Heritage assets

	2019	2018
Increase in Historical Cost Heritage asset	-	265 000
Increase in Accumulated surplus	-	(265 000)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

42. Prior period errors (continued)

During the period under review it was noted Heritage assets previously ommitted from heritage asset note during the previous financial years.

42.7 Prior period error - Cash and Cash equivalents

Decrease in short term deposits	-	(124 971)
Decrease in Accumulated surplus	-	122 595
Increase in interest received	-	2 376
	-	-

During the period under review it was noted that the prior year's MSIG call accounts was utlised in full but not reconciled to ledger at 30 June 2017.

42.8 Prior period error - Payables from exchange transactions

Decrease in Deposits received	-	1 368
Increase in interest received	-	(1 368)
	-	-

During the period under review it was noted that in prior year a refund was paid against interest instead of the deposit receipt vote in which the monies allocated to.

42.9 Prior period error - Provisions

Increase in Provisions	-	(198 712)
Increase in Finance cost	-	198 712
	-	-

During the period under review it was noted that the prior year's schedule for discounting the provision had casting errors and omission of interest.t

42.10 Prior period error - Bulk purchases

Decrease in Trade payables	-	(2 555 796)
Increase in Accumulated surplus	-	(2 938 210)
Decrease in Bulk purchases	-	5 494 006
	-	-

During the period under review it was noted that the prior year's bulk purchase were overstated by booking invoices in the ncorrect period.

42.11 Prior period error - Receivables from exchange transactions

Decrease in Receivables from exchange transactions	-	(2 005 096)
Decrease in Accumulating surplus	-	1 650 139
Decrease in Electricity	-	291 672
Decrease in Sewerage	-	14 794
Decrease in Refuse	-	13 286
Decrease in Water	-	31 081
Decrease in Sundries	-	4 124
	-	-

During the period under review it was noted that internal debtors charges were not reverse as per requirement of GRAP 9, hence overstating revenue.

42.12 Prior period error - Receivables from exchange transactions

Decrease in Receivables from non-exchange transactions	-	(970 582)
Decrease in Accumulating surplus	-	798 762

Figures in Rand	2019	2018

42. Prior period errors (continued)

Decrease in Rates	-	171 820
	-	-

During the period under review it was noted that internal debtors charges were not reverse as per requirement of GRAP 9, hence overstating revenue.

42.13 Prior period error - Employee Cost

Increase in VAT	-	(143)
Increase in Trade and other payables	-	(308 449)
Decrease in Accumulating surplus	-	(2 098 162)
Increase in Employee related cost	-	2 219 236
Increase in Remuneration of Councillors	-	188 536
Increase in commission	-	(1 018)
	-	-

During the prior year the employee cost for the month of June was not accounted for.

43. Risk management

Financial risk management

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

Liquidity risk

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

Credit risk

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

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

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

.

Market risk

Interest rate risk

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

44. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 340 324 400 and that the municipality's total assets exceed its liabilities by R 340 324 400.

44. Going concern (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

Although certain going concern ratios, such as the cash coverage and creditors' days may appear unfavourable, the entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 2 of 2018).

45. Events after the reporting date

There were no events after reporting date which occured.

46. Unauthorised expenditure

	2019	2018
Opening balance	40 947 940	40 947 940
Unauthorised expenditure - Current year	67 154 247	-
	108 102 187	**40 947 940**

Refer to Appendix G2 for calculation of unauthorised expenditure.

Incidents regarding 2018/2019	**Disciplinary steps taken / criminal proceedings**		
Overspending - Budget and Treasury	None	57 338 064	-
Overspending - Community and Public Services	None	9 816 183	-
		67 154 247	**-**

The over expenditure was due to the fact that during the adjustment budget, no adjustments was done between Technical services and Budget and Treasury.

The over expenditure was also due to the incorrect recording of impairment of consumer debtors.

Incidents regarding 2017/2018

No overspending was recorded for the 2017/2018 financial year.

The comparative amount of R 40 947 940 relates to 2016/2017 (R 5 984 322) and prior 2016/2017 (R 34 963 618).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

47. Fruitless and wasteful expenditure

	2019	2018
Opening balance	4 345 108	2 581 615
Fruitless and wasteful expenditure - current year	795 287	1 763 493
	5 140 395	**4 345 108**

Incidents regarding 2018/19	Disciplinary steps taken/criminal proceedings	
Interest paid to Eskom for account in arrears	None	117 008
Interest paid to the Auditor General South Africa	None	233 691
Interest paid to Telkom	None	2 133
Other	None	442 455
		795 287

Incidents regarding 2017/18	Disciplinary steps taken/criminal proceedings	
Interest paid to Eskom for account in arrears	None	1 286 404
Interest paid to the Auditor General South Africa	None	475 522
Interest paid to Telkom	None	1 567
		1 763 493

Fruitless and wasteful expenditure in respect of the current year was incurred due to outstanding account owed to Eskom. Despite the payment arrangement made with theservice provider, interest continues to be levied on overdue accounts

48. Irregular expenditure

	2019	2018
Opening balance	51 772 207	43 881 966
Add: Irregular Expenditure - current year	31 689 482	7 890 241
	83 461 689	**51 772 207**

Analysis of expenditure awaiting condonation per age classification

	2019	2018
Current year	31 689 482	7 890 241
Prior years	51 772 207	43 881 996
	83 461 689	**51 772 237**

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified were the supply chain process was not followed	The expenditure was identified during the current financial year and still needs to be investigated.	31 689 482

Figures in Rand	2019	2018

49. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(500 000)	-
Current year subscription / fee	500 000	500 000
Amount paid - current year	-	(1 000 000)
	-	**(500 000)**

Contributions to organised local government consists of annual subscriptions paid to SALGA. The municipalty made a prepayment for the 2018/19 financial amounting to R500 000.

Material losses through criminal conduct

There were no material losses which were identified during the year which were a result of criminal conduct.

Audit fees

Opening balance	8 994 932	6 897 424
Current year subscription / fee	4 474 084	4 139 697
Amount paid - current year	(1 002 852)	(2 042 189)
Amount paid - previous year	(7 196 030)	-
	5 270 134	**8 994 932**

There was an prior period error relating to audit fees for which the applicable credit notes issued by the Auditor General were not taken into account appropriately.

PAYE, SDL and UIF

Current year subscription / fee	4 468 284	3 406 467
Amount paid - Current year	(4 468 284)	(3 406 467)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	4 807 895	4 141 203
Amount paid - current year	(4 807 895)	(4 141 203)
	-	-

Councillors' arrear consumer accounts

There were no councillors with municipal accounts which were more than 30 days.

30 June 2019	**Outstanding less than 90 days R**	**Outstanding more than 90 days R**	**Total R**
SG Edwards	455	-	455

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

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

Supply chain management regulations

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

Incident		
Sole supplier	72 583	1 843 976
Acquisition of special works, art/specification	-	44 649
Exceptional cases to follow SCM processes	1 553 512	3 900
Emergency	397 151	-
	2 023 246	**1 892 525**

50. Budget differences

Material differences between budget and actual amounts

The following provide the reasons between final budget amounts and actual results:

Statement of Financial Perfomance

Notes to the Annual Financial Statements

50. Budget differences (continued)

A1 - Inappropriate budgeting for service charges as the budget was not based on the households which were to be charged during the year

A2 - Inappropriate budgeting for rentals as the budget was not based on the tarrifs which were to be charged during the year

A3 - Increased interest charged to consumers due to non payment of municipal accounts by consumers

A4 -

A5 - Favourable variance due to improved collection for licenses and permits

A6 - Inappropriate budgeting for other income as sources identified for other income as per budget were not relevant to the municipality

A7 - Delays in capital expenditure relating to grants resulted in delays in withdrawals from the investment account which in turn resulted in higher interest being earned

A8 - There were no disposals of assets during the current year.

A9 - Inappropriate budgeting for rates as the budget was not based on the tarrifs and households which were to be charged during the year

A10 - Capital related government grants were incorrectly budgeted for as donations

A11 - Capital related government grants were incorrectly budgeted for as donations

A12 - Less than expected traffic fines being issued for the year and also inadequate capacity within law enforcement

A13 - Not applicable as less than 10% variance

A14 - The difference is mainly due to subsitence and travel cost which were more than expected

A15 - Improper budgeting on depreciation as the inadequate depreciation was provided for Infrastructure assets

A16 - The interest is mainly for the overdue account of Eskom for which there is an payment arrangement which is in place

A17 - The reason is based on less consumption than expected indigent consumption for the year under review which resulted in a lower balance of the indigents

A18 - The variance is mainly due to less consumption for the current year for services

A19 - The main reason for the variance is due to the misclassification of expenditure within the budget between general expenditure and contracted service

A20 - The main reason for the variance is due to the misclassification of expenditure within the budget between general expenditure and contracted service

Statement of Financial Position

B1 - Improper budgeting as not all the inventory items were taken into account in preparing the budget e.g. water inventory

B2 - Improper budgeting as there were never other financial assets in previous year and there were indication of these occurring in the current year

B3 - The receivables budgeting included both exchange and non exchange receivables. The variance is mainly due to the changes in the impairment on the receivables and also the decreased bad debts written of during the current year

B4 - Improper budgeting as there was no budgeting done for either a VAT receivable or a VAT payable

50. Budget differences (continued)

B5 - Improper budgeting as only the current year movements were budgeted for and not the opening balances

B6 - The variance is due to the fair value adjustment expected for the investment property not being line with the actuals for the year.

B7 - The variance is mainly due to the inadequate provision for depreciation for the current year budget.

B8 - The variance is due to improper budgeting for software intangible assets.

B9 - The variance is due to the prior period error amounting to R225 000.

B10 - Improper budgeting as there were never other financial liabilities in previous year and there were indication of these occurring in the current year.

B11 - The actual balance for payables includes the what was budgeted for other financial liabilities. The variance is mainly due to prior period errors relating to Eskom payable and Auditor General payable.

B12 -Improper budgeting as only the current year movement was taken into account when preparing the budget without taking into account the opening balance

B13 - The municipality did not anticipate having any grants to be unspent by the end of the year. The unspent grants were mainly caused by delayed capital expenditure in MIG related projects.

B14 - The variance is mainly due to the fact the budget only took into account the current year's movement for the provision which was higher than expected. There also no split between current and non current portions of the liability.

B15 - Improper budgeting as there was no budgeting for the employee benefit obligation

Kgatelopele Local Municipality
Kgatelopele Local Municipality
Appendix B
June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	31 429 105	134 536	-	-	-	2 982 933	34 546 574	(8 821 668)	52 377	-	(847 675)	(255)	(9 617 221)	24 929 353
Infrastructure	410 244 516	134 980	-	-	-	(1 128 124)	409 251 372	(182 963 118)	198 985	-	(16 347 327)	(1 437)	(199 112 897)	210 138 475
Community Assets	19 276 190	-	-	-	-	-	19 276 190	(7 169 439)	-	-	(1 596 775)	(2 128 299)	(10 894 513)	8 381 677

Kgatelopele Local Municipality
Kgatelopele Local Municipality
Appendix B
June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets	**1 151 057**	**-**	**-**	**-**	**-**	**-**	**1 151 057**	**-**	**-**	**-**	**-**	**-**	**-**	**1 151 057**
Specialised vehicles	**2 364 860**	**-**	**-**	**-**	**-**	**-**	**2 364 860**	**(94 594)**	**-**	**-**	**(471 676)**	**-**	**(566 270)**	**1 798 590**
Other assets	**8 848 386**	**201 066**	**(132 018)**	**-**	**-**	**-**	**8 917 434**	**(5 147 901)**	**92 159**	**-**	**(1 213 608)**	**(1 050)**	**(6 270 400)**	**2 647 034**

Kgatelopele Local Municipality
Kgatelopele Local Municipality
Appendix B
June 2019

Analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	31 429 105	134 536	-	-	-	2 982 933	34 546 574	(8 821 668)	52 377	-	(847 675)	(255)	(9 617 221)	24 929 353
Infrastructure	410 244 516	134 980	-	-	-	(1 128 124)	409 251 372	(182 963 118)	198 985	-	(16 347 327)	(1 437)	(199 112 897)	210 138 475
Community Assets	19 276 190	-	-	-	-	-	19 276 190	(7 169 439)	-	-	(1 596 775)	(2 128 299)	(10 894 513)	8 381 677
Heritage assets	1 151 057	-	-	-	-	-	1 151 057	-	-	-	-	-	-	1 151 057
Specialised vehicles	2 364 860	-	-	-	-	-	2 364 860	(94 594)	-	-	(471 676)	-	(566 270)	1 798 590
Other assets	8 848 386	201 066	(132 018)	-	-	-	8 917 434	(5 147 901)	92 159	-	(1 213 608)	(1 050)	(6 270 400)	2 647 034
	473 314 114	**470 582**	**(132 018)**	**-**	**-**	**1 854 809**	**475 507 487**	**(204 196 720)**	**343 521**	**-**	**(20 477 061)**	**(2 131 041)**	**(226 461 301)**	**249 046 186**
Intangible assets														
Computers - software & programming	490 236	41 383	-	-	-	-	531 619	(177 212)	-	-	(105 561)	-	(282 773)	248 846
	490 236	**41 383**	**-**	**-**	**-**	**-**	**531 619**	**(177 212)**	**-**	**-**	**(105 561)**	**-**	**(282 773)**	**248 846**
Investment properties	**43 219 405**	**3 314 455**	**-**	**-**	**-**	**43 219 405**	**89 753 265**	**-**	**-**	**-**	**-**	**-**	**-**	**89 753 265**
Total														
Land and buildings	31 429 105	134 536	-	-	-	2 982 933	34 546 574	(8 821 668)	52 377	-	(847 675)	(255)	(9 617 221)	24 929 353
Infrastructure	410 244 516	134 980	-	-	-	(1 128 124)	409 251 372	(182 963 118)	198 985	-	(16 347 327)	(1 437)	(199 112 897)	210 138 475
Community Assets	19 276 190	-	-	-	-	-	19 276 190	(7 169 439)	-	-	(1 596 775)	(2 128 299)	(10 894 513)	8 381 677
Heritage assets	1 151 057	-	-	-	-	-	1 151 057	-	-	-	-	-	-	1 151 057
Specialised vehicles	2 364 860	-	-	-	-	-	2 364 860	(94 594)	-	-	(471 676)	-	(566 270)	1 798 590
Other assets	8 848 386	201 066	(132 018)	-	-	-	8 917 434	(5 147 901)	92 159	-	(1 213 608)	(1 050)	(6 270 400)	2 647 034
Intangible assets	490 236	41 383	-	-	-	-	531 619	(177 212)	-	-	(105 561)	-	(282 773)	248 846
Investment properties	43 219 405	3 314 455	-	-	-	43 219 405	89 753 265	-	-	-	-	-	-	89 753 265
	517 023 755	**3 826 420**	**(132 018)**	**-**	**-**	**45 074 214**	**565 792 371**	**(204 373 932)**	**343 521**	**-**	**(20 582 622)**	**(2 131 041)**	**(226 744 074)**	**339 048 297**

Kgatelopele Local Municipality
Kgatelopele Local Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land	13 350 611	-	-	-	-	**-**	**13 350 611**	-	-	-	-	-	**-**	13 350 611
Landfill Sites	3 757 907	304 367	-	-	-	**533 852**	**4 596 126**	(1 413 987)	-	-	(249 033)	-	**(1 663 020)**	2 933 106
Buildings	13 482 368	-	-	-	-	**-**	**13 482 368**	(6 534 689)	-	-	(623 959)	-	**(7 158 648)**	6 323 720
	30 590 886	**304 367**	**-**	**-**	**-**	**533 852**	**31 429 105**	**(7 948 676)**	**-**	**-**	**(872 992)**	**-**	**(8 821 668)**	**22 607 437**
Infrastructure														
Roads	159 971 428	913 103	-	-	-	**-**	**160 884 531**	(74 505 201)	-	-	(6 030 301)	-	**(80 535 502)**	80 349 029
Road Furniture	2 427 625	324 553	-	-	-	**-**	**2 752 178**	(1 310 691)	-	-	(127 560)	-	**(1 438 251)**	1 313 927
Transmission & Reticulation	105 696 919	1 008 459	-	-	-	**(1 030 027)**	**105 675 351**	(48 810 681)	191 068	-	(4 341 329)	-	**(52 960 942)**	52 714 409
Outfalll sewer	1 538 037	-	-	-	-	**-**	**1 538 037**	(510 373)	-	-	(36 910)	-	**(547 283)**	990 754
Pump stations	3 464 318	-	-	-	-	**(9 471)**	**3 454 847**	(1 503 914)	-	-	(199 833)	-	**(1 703 747)**	1 751 100
Reticulation	27 583 042	-	-	-	-	**-**	**27 583 042**	(12 010 584)	-	-	(492 789)	-	**(12 503 373)**	15 079 669
Wastewater treatment works (WWTW)	15 523 652	-	-	-	-	**-**	**15 523 652**	(5 710 287)	-	-	(1 105 392)	-	**(6 815 679)**	8 707 973
Boreholes	1 760 690	-	-	-	-	**-**	**1 760 690**	(693 655)	-	-	(99 018)	-	**(792 673)**	968 017
Bulk mains	25 025 029	3 483 325	-	-	-	**-**	**28 508 354**	(2 635 621)	-	-	(862 335)	-	**(3 497 956)**	25 010 398
Capital spares	99 727	-	-	-	-	**(44 219)**	**55 508**	-	-	-	-	-	**-**	55 508
Distribution	27 263 768	-	-	-	-	**-**	**27 263 768**	(9 642 872)	-	-	(872 891)	-	**(10 515 763)**	16 748 005
Pump stations - Water	961 999	-	-	-	-	**(44 407)**	**917 592**	(585 072)	-	-	(35 779)	-	**(620 851)**	296 741
Reservoirs	15 743 097	93 389	-	-	-	**-**	**15 836 486**	(3 180 535)	-	-	(1 316 373)	-	**(4 496 908)**	11 339 578
Stormwater Conveyance	20 303 502	535 290	-	-	-	**-**	**20 838 792**	(5 564 161)	-	-	(739 303)	-	**(6 303 464)**	14 535 328
Drainage Collection and Attenuation	94 624	-	-	-	-	**-**	**94 624**	(32 890)	-	-	(6 757)	-	**(39 647)**	54 977
	407 457 457	**6 358 119**	**-**	**-**	**-**	**(1 128 124)**	**412 687 452**	**(166 696 537)**	**191 068**	**-**	**(16 266 570)**	**-**	**(182 772 039)**	**229 915 413**
Community Assets														
Community halls	14 042 315	-	-	-	-	**-**	**14 042 315**	-	-	-	-	-	**-**	14 042 315
Recreational facilities	5 233 875	-	-	-	-	**-**	**5 233 875**	-	-	-	-	-	**-**	5 233 875
	19 276 190	**-**	**-**	**-**	**-**	**-**	**19 276 190**	**-**	**-**	**-**	**-**	**-**	**-**	**19 276 190**

Kgatelopele Local Municipality
Kgatelopele Local Municipality
Appendix B
June 2019

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Buildings	1 151 058	-	-	-	-	-	**1 151 058**	-	-	-	-	-	**-**	1 151 058
	1 151 058	**-**	**-**	**-**	**-**	**-**	**1 151 058**	**-**	**-**	**-**	**-**	**-**	**-**	**1 151 058**
Specialised vehicles														
Refuse	-	2 364 860	-	-	-	-	**2 364 860**	-	-	-	(94 594)	-	**(94 594)**	2 270 266
	-	**2 364 860**	**-**	**-**	**-**	**-**	**2 364 860**	**-**	**-**	**-**	**(94 594)**	**-**	**(94 594)**	**2 270 266**
Other assets														
Other	7 418 672	1 429 715	-	-	-	-	**8 848 387**	(4 161 622)	-	-	(956 838)	(29 441)	**(5 147 901)**	3 700 486
	7 418 672	**1 429 715**	**-**	**-**	**-**	**-**	**8 848 387**	**(4 161 622)**	**-**	**-**	**(956 838)**	**(29 441)**	**(5 147 901)**	**3 700 486**

Kgatelopele Local Municipality

Analysis of property, plant and equipment as at 30 June 2018

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	30 590 886	304 367	-	-	-	533 852	31 429 105	(7 948 676)	-	-	(872 992)	-	(8 821 668)	22 607 437
Infrastructure	407 457 457	6 358 119	-	-	-	(1 128 124)	412 687 452	(166 696 537)	191 068	-	(16 266 570)	-	(182 772 039)	229 915 413
Community Assets	19 276 190	-	-	-	-	-	19 276 190	-	-	-	-	-	-	19 276 190
Heritage assets	1 151 058	-	-	-	-	-	1 151 058	-	-	-	-	-	-	1 151 058
Specialised vehicles	-	2 364 860	-	-	-	-	2 364 860	-	-	-	(94 594)	-	(94 594)	2 270 266
Other assets	7 418 672	1 429 715	-	-	-	-	8 848 387	(4 161 622)	-	-	(956 838)	(29 441)	(5 147 901)	3 700 486
	465 894 263	10 457 061	-	-	-	(594 272)	475 757 052	(178 806 835)	191 068	-	(18 190 994)	(29 441)	(196 836 202)	278 920 850
Intangible assets														
Computers - software & programming	431 565	58 671	-	-	-	-	490 236	(81 272)	-	-	(95 939)	-	(177 211)	313 025
	431 565	58 671	-	-	-	-	490 236	(81 272)	-	-	(95 939)	-	(177 211)	313 025
Investment properties														
Investment property	42 791 491	-	-	-	-	427 915	43 219 406	-	-	-	-	-	-	43 219 406
	42 791 491	-	-	-	-	427 915	43 219 406	-	-	-	-	-	-	43 219 406
Total														
Land and buildings	30 590 886	304 367	-	-	-	533 852	31 429 105	(7 948 676)	-	-	(872 992)	-	(8 821 668)	22 607 437
Infrastructure	407 457 457	6 358 119	-	-	-	(1 128 124)	412 687 452	(166 696 537)	191 068	-	(16 266 570)	-	(182 772 039)	229 915 413
Community Assets	19 276 190	-	-	-	-	-	19 276 190	-	-	-	-	-	-	19 276 190
Heritage assets	1 151 058	-	-	-	-	-	1 151 058	-	-	-	-	-	-	1 151 058
Specialised vehicles	-	2 364 860	-	-	-	-	2 364 860	-	-	-	(94 594)	-	(94 594)	2 270 266
Other assets	7 418 672	1 429 715	-	-	-	-	8 848 387	(4 161 622)	-	-	(956 838)	(29 441)	(5 147 901)	3 700 486
Intangible assets	431 565	58 671	-	-	-	-	490 236	(81 272)	-	-	(95 939)	-	(177 211)	313 025
Investment properties	42 791 491	-	-	-	-	427 915	43 219 406	-	-	-	-	-	-	43 219 406
	509 117 319	10 515 732	-	-	-	(166 357)	519 466 694	(178 888 107)	191 068	-	(18 286 933)	(29 441)	(197 013 413)	322 453 281

Kgatelopele Local Municipality
Appendix C
June 2019

Segmental analysis of property, plant and equipment as at 30 June 2019

	Cost/Revaluation							Accumulated Depreciation						
	Opening Balance Rand	**Additions Rand**	**Disposals Rand**	**Transfers Rand**	**Revaluations Rand**	**Other changes, movements Rand**	**Closing Balance Rand**	**Opening Balance Rand**	**Disposals Rand**	**Transfers Rand**	**Depreciation Rand**	**Impairment deficit Rand**	**Closing Balance Rand**	**Carrying value Rand**
Municipality														
Executive & Council/Mayor and Council	326 277	-	-	-	-	**-**	**326 277**	(193 407)	-	-	(20 004)	-	**(213 411)**	112 866
Finance & Admin/Finance	13 499 563	201 066	-	-	-	**-**	**13 700 629**	(7 720 718)	-	-	(968 766)	795	**(8 688 689)**	5 011 940
Electrical	106 705 379	134 980	-	-	-	**(1 030 027)**	**105 810 332**	(53 152 010)	191 068	-	(3 949 659)	-	**(56 910 601)**	48 899 731
Comm. & Social/Libraries and archives	155 227	-	-	-	-	**-**	**155 227**	(8 131)	-	-	(5 768)	-	**(13 899)**	141 328
Housing	4 700 272	125 292	-	-	-	**(75 286)**	**4 750 278**	(2 399 694)	52 377	-	(240 958)	-	**(2 588 275)**	2 162 003
Sport and Recreation	11 491 461	-	-	-	-	**(105 359)**	**11 386 102**	(9 096 201)	86 450	-	(277 208)	-	**(9 286 959)**	2 099 143
Environmental Protection/Pollution Control	4 596 126	-	-	-	-	**3 058 219**	**7 654 345**	(1 663 020)	-	-	(310 265)	-	**(1 973 285)**	5 681 060
Waste Water Management/Sewerage	48 114 695	-	-	-	-	**(9 471)**	**48 105 224**	(21 570 085)	7 917	-	(1 931 246)	-	**(23 493 414)**	24 611 810
Road Transport/Roads	184 570 127	-	(132 018)	-	-	**-**	**184 438 109**	(90 597 599)	92 159	-	(9 088 979)	-	**(99 594 419)**	84 843 690
Water/Water Distribution	70 854 314	-	-	-	-	**(88 626)**	**70 765 688**	(19 924 156)	-	-	(2 390 267)	-	**(22 314 423)**	48 451 265
Land	13 350 611	-	-	-	-	**-**	**13 350 611**	-	-	-	-	-	**-**	13 350 611
	458 364 052	**461 338**	**(132 018)**	**-**	**-**	**1 749 450**	**460 442 822**	**(206 325 021)**	**429 971**	**-**	**(19 183 120)**	**795**	**(225 077 375)**	**235 365 447**
Total														
Municipality	458 364 052	461 338	(132 018)	-	-	**1 749 450**	**460 442 822**	(206 325 021)	429 971	-	(19 183 120)	795	**(225 077 375)**	235 365 447
	458 364 052	**461 338**	**(132 018)**	**-**	**-**	**1 749 450**	**460 442 822**	**(206 325 021)**	**429 971**	**-**	**(19 183 120)**	**795**	**(225 077 375)**	**235 365 447**

Kgatelopele Local Municipality
Appendix D
June 2019

Segmental Statement of Financial Performance for the year ended

Prior Year				Current Year		
Actual Income Rand	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**		**Actual Income Rand**	**Actual Expenditure Rand**	**Surplus /(Deficit) Rand**
			Directorates			
1 840	2 667 190	(2 665 350)	Executive & Council	-	2 971 744	(2 971 744)
-	3 439 809	(3 439 809)	Executive & Council/Municipal Manager	-	2 706 039	(2 706 039)
(39 611)	6 488 144	(6 527 755)	Corporate services	(35 194)	8 472 456	(8 507 650)
3 275 119	7 296 545	(4 021 426)	Community & Social Services	518 544	8 366 496	(7 847 952)
40 073 086	31 361 635	8 711 451	Budget & Treasury Office	35 459 286	12 474 554	22 984 732
62 260 153	33 539 746	28 720 407	Other	49 807 682	28 409 602	21 398 080
105 570 587	**84 793 069**	**20 777 518**		**85 750 318**	**63 400 891**	**22 349 427**

Kgatelopele Local Municipality
Appendix E(1)
June 2019

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019

	Forecast # 4 2016 Act. Bal. Rand	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	11 776 015	14 966 102	(3 190 087)	(21,3)	Inappropriate budgeting for rates as the budget was not based on the tarrifs and households which were to be charged during the year
Service charges	38 575 066	47 754 760	(9 179 694)	(19,2)	.Inappropriate budgeting for service charges as the budget was not based on the tarrifs and households which were to be charged during the year
Rental of facilities and equipment	96 567	423 313	(326 746)	(77,2)	Inappropriate budgeting for rentals as the budget was not based on the tarrifs which were to be charged during the year
Interest received (trading)	648 072	275 055	373 017	135,6	Increased interest charged to consumers due to non payment of municipal accounts by consumers
Agency services	-	680 949	(680 949)	(100,0)	
Licences and permits	506 045	291 835	214 210	73,4	Favourable variance due to improved collection for licenses and permits
Government grants & subsidies	65 744 468	23 928 000	41 816 468	174,8	Capital related government grants were incorrectly budgeted for as donations
Public contributions and donations	3 229 800	51 358 941	(48 129 141)	(93,7)	Capital related government grants were incorrectly budgeted for as donations
Fines, Penalties and Forfeits	15 272	717 510	(702 238)	(97,9)	Less than expected traffic fines being issued for the year and also inadequate capacity within law enforcement
Gains in disposal of assets	-	286 651	(286 651)	(100,0)	There were no disposals of assets during the current year
Other income - (rollup)	(346 586)	8 534 895	(8 881 481)	(104,1)	Inappropriate budgeting for other income as sources identified for other income as per budget were not relevant to the municipality
Interest received - investment	1 195 089	898 298	296 791	33,0	Delays in capital expenditure relating to grants resulted in delays in withdrawals from the investment account which in turn resulted in higher interest being earned
	121 439 808	150 116 309	(28 676 501)	(19,1)	
Expenses					
Personnel	-	-	-	-	
Employee costs	(30 650 189)	(31 744 419)	1 094 230	(3,4)	Not applicable as less than 10%
Remuneration of councillors	(2 567 596)	(2 323 440)	(244 156)	10,5	The difference is mainly due to subsitence and travel cost which were more than expected
Depreciation and amortisation	(19 394 405)	(10 276 407)	(9 117 998)	88,7	Improper budgeting on depreciation as the inadequate depreciation was provided for Infrastructure assets
Impairments	-	-	-	-	
Finance costs	(677 262)	(804 953)	127 691	(15,9)	The interest is mainly for the overdue account of Eskom for which there is an payment arrangement which is in place.
Debt Impairment	(4 421 091)	(5 773 806)	1 352 715	(23,4)	The reason is based on less consumption than expected indigent consumption for the year under review which resulted in a lower balance of the indigents
Bulk purchases	(17 327 789)	(22 089 090)	4 761 301	(21,6)	The variance is mainly due to less consumption for the current year for services
Contracted Services	(10 837 761)	(13 070 123)	2 232 362	(17,1)	The main reason for the variance is due to the misclassification of expenditure within the budget between general expenditure and contracted services
General Expenses	(8 575 332)	(12 114 813)	3 539 481	(29,2)	The main reason for the variance is due to the misclassification of expenditure within the budget between general expenditure and contracted services
	(94 451 425)	(98 197 051)	3 745 626	(3,8)	Refer to the comments above
Other revenue and costs					
Fair value adjustments	-	-	-	-	
	-	-	-	-	

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2019

	Forecast # 4 2016 Act. Bal.	Current year 2012 Adjusted budget	Variance		Explanation of Significant Variances greater than 10% versus Budget
Net surplus/ (deficit) for the year	26 988 383	51 919 258	(24 930 875)	(48,0)	

Kgatelopele Local Municipality
Appendix E(2)
June 2019

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions Rand	Revised Budget Rand	Variance Rand	Variance %	Explanation of significant variances from budget
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	
Municipal Owned Entities					
Null	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	38 191	**-**	**(38 191)**	**-**	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	**-**	**-**	**-**	

Kgatelopele Local Municipality
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003
June 2019

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
			Sep	Dec	Mar	Jun		Sep	Dec	Mar	Jun	Mar	Jun	Sep	Dec	Mar		Yes/ No	
Equitable Share	Natioinal Treasury	-	8 529 000	6 768 000	5 172 000	-	-	8 529 000	6 768 000	5 172 000	-	-	-	-	-	-	Not applicable as there were no funds withheld	Yes	Not applicable
MIG	National Treasury	-	7 975 000	-	20 000 000	-	-	2 027 246	9 384 749	5 304 518	14 053 112	-	-	-	-	-	Previous years R11 000 was witheld due to lack of adeequate commitements for the grant	Yes	Not applicable
INEP	Department of Ernergy	-	1 500 000	1 200 000	-	-	-	1 330 430	-	-	-	-	-	-	-	-	Not applicable as there were no funds withheld	Yes	Not applicable
FMG	National Treasury	-	2 415 000	-	-	-	-	698 619	815 639	249 062	960 965	-	-	-	-	-	Previous years R44 000 was witheld due to lack of adeequate commitements for the grant	Yes	Not applicable
Library Grant	Provincial Department	-	-	327 500	327 500	-	-	234 912	286 771	179 047	300 412	-	-	-	-	-	Not applicable as there were no funds withheld	Yes	Not applicable
MWIG	Department of Water Affairs	-	2 500 000	1 500 000	5 500 000	-	-	679 980	2 371 219	1 350 575	838 879	-	-	-	-	-	Not applicable as there were no funds withheld	Yes	Not applicable
		-	**22 919 000**	**9 795 500**	**30 999 500**	**-**	**-**	**13 500 187**	**19 626 378**	**12 255 202**	**16 153 368**	**-**	**-**	**-**	**-**	**-**			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Kgatelopele Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional												
Municipal governance and administration	**47 453 000**	**604 000**	**48 057 000**	**-**		**(48 057 000)**	**- %**	**- %**				**-**
Executive and council	155 000	15 000	170 000	-		(170 000)	- %	- %				-
Finance and administration	47 298 000	589 000	47 887 000	-		(47 887 000)	- %	- %				-
Internal audit	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	**698 000**	**28 000**	**726 000**	**-**		**(726 000)**	**- %**	**- %**				**-**
Community and social services	43 000	(43 000)	-	-		-	DIV/0 %	- %				-
Sport and recreation	655 000	**71 000**	726 000	-		(726 000)	- %	- %				-
Public safety	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	**2 197 000**	**(1 958 000)**	**239 000**	**-**		**(239 000)**	**- %**	**- %**				**-**
Planning and development	224 000	15 000	239 000	-		(239 000)	- %	- %				-
Road transport	1 973 000	(1 973 000)	-	-		-	DIV/0 %	- %				-
Environmental protection	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Trading services	**47 118 000**	**51 574 000**	**98 692 000**	**-**		**(98 692 000)**	**- %**	**- %**				**-**
Energy sources	29 174 000	3 261 000	32 435 000	-		(32 435 000)	- %	- %				-
Water management	7 570 000	5 155 000	12 725 000	-		(12 725 000)	- %	- %				-
Waste water management	4 352 000	39 924 000	44 276 000	-		(44 276 000)	- %	- %				-
Waste management	6 022 000	3 234 000	9 256 000	-		(9 256 000)	- %	- %				-
Other	**-**	**1 690 000**	**1 690 000**	**-**		**(1 690 000)**	**- %**	**DIV/0 %**				**-**
Other	-	1 690 000	1 690 000	-		(1 690 000)	- %	DIV/0 %				-
Total Revenue - Functional	**97 466 000**	**51 938 000**	**149 404 000**	**-**		**(149 404 000)**	**- %**	**- %**				**-**

Kgatelopele Local Municipality
Appendix G1
Budgeted Financial Performance (revenue and expenditure by functional classification)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional												
Governance and administration	**40 893 000**	**1 930 000**	**42 823 000**	**-**	**-**	**(42 823 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Executive and council	8 710 000	(213 000)	8 497 000	-	-	(8 497 000)	- %	- %	-	-	-	-
Finance and administration	31 898 000	2 260 000	34 158 000	-	-	(34 158 000)	- %	- %	-	-	-	-
Internal audit	285 000	(117 000)	168 000	-	-	(168 000)	- %	- %	-	-	-	-
Community and public safety	**3 613 000**	**402 000**	**4 015 000**	**-**	**-**	**(4 015 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Community and social services	3 613 000	(2 920 000)	693 000	-	-	(693 000)	- %	- %	-	-	-	-
Sport and recreation	-	3 322 000	3 322 000	-	-	(3 322 000)	- %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**8 332 000**	**1 116 000**	**9 448 000**	**-**	**-**	**(9 448 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Planning and development	6 717 000	1 120 000	7 837 000	-	-	(7 837 000)	- %	- %	-	-	-	-
Road transport	1 615 000	(4 000)	1 611 000	-	-	(1 611 000)	- %	- %	-	-	-	-
Environmental protection	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**44 481 000**	**(2 349 000)**	**42 132 000**	**-**	**-**	**(42 132 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Energy sources	30 010 000	(1 347 000)	28 663 000	-	-	(28 663 000)	- %	- %	-	-	-	-
Water management	4 904 000	(579 000)	4 325 000	-	-	(4 325 000)	- %	- %	-	-	-	-
Waste water management	4 747 000	(90 000)	4 657 000	-	-	(4 657 000)	- %	- %	-	-	-	-
Waste management	4 820 000	(333 000)	4 487 000	-	-	(4 487 000)	- %	- %	-	-	-	-
Other	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure - Functional	**97 319 000**	**1 099 000**	**98 418 000**	**-**	**-**	**(98 418 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**147 000**	**50 839 000**	**50 986 000**	**-**		**(50 986 000)**	**- %**	**- %**				**-**

Kgatelopele Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget Rand	Budget Adjustments (i.t.o. s28 and s31 of the MFMA) Rand	Final Budget Rand	Actual Outcome Rand	Unauthorised expenditure Rand	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget Rand	Actual Outcome as % of Original Budget Rand	Reported unauthorised expenditure Rand	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand
Revenue by Vote												
Vote 1 - Executive Council	3 348 012	-	3 348 012	-		(3 348 012)	- %	- %				-
Vote 2 - Municipal Manager	5 302 625	15 000	5 317 625	-		(5 317 625)	- %	- %				-
Vote 3 - Corporate Services	10 591 488	(230 000)	10 361 488	(34 587)		(10 396 075)	- %	- %				-
Vote 4 - Budget and Treasury	26 124 501	541 000	26 665 501	73 679 893		47 014 392	276 %	282 %				-
Vote 5 - Technical Services	51 662 390	1 065 000	52 727 390	49 679 798		(3 047 592)	94 %	96 %				-
Vote 6 - Community and Public Services	1 391 001	-	1 391 001	1 241 586		(149 415)	89 %	89 %				-
Total Revenue by Vote	**98 420 017**	**1 391 000**	**99 811 017**	**124 566 690**		**24 755 673**	**125 %**	**127 %**				**-**
Expenditure by Vote to be appropriated												
Vote 1 - Executive Council	3 895 000	(547 000)	3 348 000	3 237 647	-	(110 353)	97 %	83 %	-	-	-	-
Vote 2 - Municipal Manager	5 100 000	218 000	5 318 000	2 855 539	-	(2 462 461)	54 %	56 %	-	-	-	-
Vote 3 - Corporate Services	8 759 000	1 602 000	10 361 000	8 103 502	-	(2 257 498)	78 %	93 %	-	-	-	-
Vote 4 - Budget and Treasury	26 236 000	430 000	26 666 000	84 004 064	57 338 064	57 338 064	315 %	320 %	-	-	-	-
Vote 5 - Technical Services	50 933 000	1 795 000	52 728 000	28 955 048	-	(23 772 952)	55 %	57 %	-	-	-	-
Vote 6 - Community and Public Services	2 396 000	(2 396 000)	-	9 816 183	9 816 183	9 816 183	DIV/0 %	410 %	-	-	-	-
Total Expenditure by Vote	**97 319 000**	**1 102 000**	**98 421 000**	**136 971 983**	**67 154 247**	**38 550 983**	**139 %**	**141 %**	**-**	**-**	**-**	**-**
Surplus/(Deficit) for the year	**1 101 017**	**289 000**	**1 390 017**	**(12 405 293)**		**(13 795 310)**	**(892)%**	**(1 127)%**				**-**

Kgatelopele Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2019

	2019/2018											2018/2017
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source												
Property rates	14 966 000	-	14 966 000	-		(14 966 000)	- %	- %				-
Service charges - electricity revenue	28 967 000	559 000	29 526 000	-		(29 526 000)	- %	- %				-
Service charges - water revenue	7 415 000	273 000	7 688 000	-		(7 688 000)	- %	- %				-
Service charges - sanitation revenue	3 672 000	118 000	3 790 000	-		(3 790 000)	- %	- %				-
Service charges - refuse revenue	5 930 000	821 000	6 751 000	-		(6 751 000)	- %	- %				-
Service charges - other	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Rental of facilities and equipment	404 000	19 000	423 000	-		(423 000)	- %	- %				-
Interest earned - external investments	526 000	373 000	899 000	-		(899 000)	- %	- %				-
Interest earned - outstanding debtors	284 000	(9 000)	275 000	-		(275 000)	- %	- %				-
Dividends received	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Fines, penalties and forfeits	1 018 000	(300 000)	718 000	-		(718 000)	- %	- %				-
Licences and permits	124 000	167 000	291 000	-		(291 000)	- %	- %				-
Agency services	956 000	(275 000)	681 000	-		(681 000)	- %	- %				-
Transfers and subsidies	23 549 000	379 000	23 928 000	-		(23 928 000)	- %	- %				-
Other revenue	9 657 000	(1 122 000)	8 535 000	-		(8 535 000)	- %	- %				-
Gains on disposal of PPE	-	287 000	287 000	-		(287 000)	- %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	**97 468 000**	**1 290 000**	**98 758 000**	**-**		**(98 758 000)**	**- %**	**- %**				**-**

Kgatelopele Local Municipality
Appendix G3
Budgeted Financial Performance (revenue and expenditure)
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type												
Employee related costs	31 510 000	235 000	31 745 000	-	-	(31 745 000)	- %	- %	-	-	-	-
Remuneration of councillors	2 540 000	(216 000)	2 324 000	-	-	(2 324 000)	- %	- %	-	-	-	-
Debt impairment	5 774 000	-	5 774 000	-	-	(5 774 000)	- %	- %	-	-	-	-
Depreciation & asset impairment	10 276 000	-	10 276 000	-	-	(10 276 000)	- %	- %	-	-	-	-
Finance charges	-	805 000	805 000	-	-	(805 000)	- %	DIV/0 %	-	-	-	-
Bulk purchases	23 190 000	(1 101 000)	22 089 000	-	-	(22 089 000)	- %	- %	-	-	-	-
Other materials	5 027 000	(4 804 000)	223 000	-	-	(223 000)	- %	- %	-	-	-	-
Contracted services	5 099 000	7 870 000	12 969 000	-	-	(12 969 000)	- %	- %	-	-	-	-
Transfers and subsidies	3 070 000	(3 070 000)	-	-	-	-	DIV/0 %	- %	-	-	-	-
Other expenditure	10 833 000	1 382 000	12 215 000	-	-	(12 215 000)	- %	- %	-	-	-	-
Loss on disposal of PPE	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Total Expenditure	**97 319 000**	**1 101 000**	**98 420 000**	**-**	**-**	**(98 420 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Surplus/(Deficit)	**149 000**	**189 000**	**338 000**	**-**		**(338 000)**	**- %**	**- %**				**-**
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	15 675 000	34 973 000	50 648 000	-		(50 648 000)	- %	- %				-
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporatons, Higher Educational Institutions)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers and subsidies - capital (in-kind - all)	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after capital transfers & contributions	**15 824 000**	**35 162 000**	**50 986 000**	**-**		**(50 986 000)**	**- %**	**- %**				**-**
Taxation	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) after taxation	**15 824 000**	**35 162 000**	**50 986 000**	**-**		**(50 986 000)**	**- %**	**- %**				**-**
Attributable to minorities	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) attributable to municipality	**15 824 000**	**35 162 000**	**50 986 000**	**-**		**(50 986 000)**	**- %**	**- %**				**-**
Share of surplus/ (deficit) of associate	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Surplus/(Deficit) for the year	**15 824 000**	**35 162 000**	**50 986 000**	**-**		**(50 986 000)**	**- %**	**- %**				**-**

Kgatelopele Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2019

	2019/2018									2018/2017		
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote Multi-year expenditure												
Vote 1 - Executive Council	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 4 - Budget and Treasury	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Technical Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 6 - Community and Public Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Single-year expenditure												
Vote 1 - Executive Council	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 2 - Municipal Manager	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 3 - Corporate Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 4 - Budget and Treasury	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 5 - Technical Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Vote 6 - Community and Public Services	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 7 - Vote7	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 8 - Vote8	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 9 - Vote9	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 10 - Vote10	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 11 - Vote11	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Total Capital Expenditure - Vote	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**

Kgatelopele Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, function and funding
for the year ended 30 June 2019

	2019/2018								2018/2017			
	Original Budget	**Budget Adjustments (i.t.o. s28 and s31 of the MFMA)**	**Final Budget**	**Actual Outcome**	**Unauthorised expenditure**	**Variance of Actual Outcome against Adjustments Budget**	**Actual Outcome as % of Final Budget**	**Actual Outcome as % of Original Budget**	**Reported unauthorised expenditure**	**Expenditure authorised in terms of section 32 of MFMA**	**Balance to be recovered**	**Restated Audited Outcome**
	Rand	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**	**Rand**
Capital Expenditure - Functional												
Governance and administration	**500 000**	**(500 000)**	**-**	**-**	**-**	**-**	**DIV/0 %**	**- %**	**-**	**-**	**-**	**-**
Executive and council	500 000	(500 000)	-	-	-	-	DIV/0 %	- %	-	-	-	-
Finance and administration	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Internal audit	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	**1 100 000**	**(400 000)**	**700 000**	**-**	**-**	**(700 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Community and social services	1 100 000	(400 000)	700 000	-	-	(700 000)	- %	- %	-	-	-	-
Sport and recreation	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public safety	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Housing	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Health	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Economic and environmental services	**-**	**-**	**-**	**-**	**-**	**-**	**DIV/0 %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Planning and development	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road transport	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Environmental protection	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Trading services	**14 799 000**	**33 344 000**	**48 143 000**	**-**	**-**	**(48 143 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Energy sources	2 700 000	-	2 700 000	-	-	(2 700 000)	- %	- %	-	-	-	-
Water management	5 000 000	-	5 000 000	-	-	(5 000 000)	- %	- %	-	-	-	-
Waste water management	7 099 000	33 344 000	40 443 000	-	-	(40 443 000)	- %	- %	-	-	-	-
Waste management	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Other	**-**	**2 505 000**	**2 505 000**	**-**	**-**	**(2 505 000)**	**- %**	**DIV/0 %**	**-**	**-**	**-**	**-**
Other	-	2 505 000	2 505 000	-	-	(2 505 000)	- %	DIV/0 %	-	-	-	-
Total Capital Expenditure - Functional	**16 399 000**	**34 949 000**	**51 348 000**	**-**	**-**	**(51 348 000)**	**- %**	**- %**	**-**	**-**	**-**	**-**
Funded by:												
National Government	14 799 000	35 849 000	50 648 000	-		(50 648 000)	- %	- %				-
Provincial Government	-	-	-	-		-	DIV/0 %	DIV/0 %				-
District Municipality	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Other transfers and grants	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Transfers recognised - capital	**14 799 000**	**35 849 000**	**50 648 000**	**-**		**(50 648 000)**	**- %**	**- %**				**-**
Public contributions & donations	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Borrowing	-	-	-	-		-	DIV/0 %	DIV/0 %				-
Internally generated funds	1 600 000	(900 000)	700 000	-		(700 000)	- %	- %				-
Total Capital Funding	**16 399 000**	**34 949 000**	**51 348 000**	**-**		**(51 348 000)**	**- %**	**- %**				**-**

Kgatelopele Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2019

	2019/2018							2018
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities								
Receipts								
Property rates	11 973 000	-	11 973 000	-	(11 973 000)	- %	- %	-
Service charges	36 787 000	-	36 787 000	-	(36 787 000)	- %	- %	-
Other revenue	10 374 000	-	10 374 000	-	(10 374 000)	- %	- %	-
Government - operating	23 549 000	-	23 549 000	-	(23 549 000)	- %	- %	-
Government - capital	16 399 000	10 484 000	26 883 000	-	(26 883 000)	- %	- %	-
Interest	284 000	614 000	898 000	-	(898 000)	- %	- %	-
Dividends	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Suppliers and employees	(67 366 000)	-	(67 366 000)	-	67 366 000	- %	- %	-
Finance charges	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Transfers and Grants	5 125 000	(5 125 000)	-	-	-	DIV/0 %	- %	-
Net cash flow from/used operating activities	**37 125 000**	**5 973 000**	**43 098 000**	**-**	**(43 098 000)**	**- %**	**- %**	**-**
Cash flow from investing activities								
Receipts								
Proceeds on disposal of PPE	300 000	-	300 000	-	(300 000)	- %	- %	-
Decrease (Increase) in non-current debtors	13 791 034	-	13 791 034	-	(13 791 034)	- %	- %	-
Decrease (increase) other non-current receivables	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Decrease (increase) in non-current investments	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Payments								
Capital assets	(16 975 000)	-	(16 975 000)	-	16 975 000	- %	- %	-
Net cash flow from/used investing activities	**(2 883 966)**	**-**	**(2 883 966)**	**-**	**2 883 966**	**- %**	**- %**	**-**
Cash flow from financing activities								
Receipts								
Short term loans	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Borrowing long term/refinancing	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Increase (decrease) in consumer deposits	12 000	(12 000)	-	-	-	DIV/0 %	- %	-
Payments								
Repayment of borrowing	-	-	-	-	-	DIV/0 %	DIV/0 %	-
Net cash flow from/used financing activities	**12 000**	**(12 000)**	**-**	**-**	**-**	**DIV/0 %**	**- %**	**-**
Net increase/(decrease) in cash held	**34 253 034**	**5 961 000**	**40 214 034**	**-**	**(40 214 034)**	**- %**	**- %**	**-**
Cash/cash equivalents at the year begin:								-
Cash/cash equivalents at the year end:	**34 253 034**	**5 961 000**	**40 214 034**	**-**	**(40 214 034)**	**- %**	**- %**	

Kgatelopele Local Municipality
Appendix G5
Budgeted Cash Flows
for the year ended 30 June 2019

2019/2018							2018
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final Budget	Actual Outcome	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Restated Audited Outcome
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand