



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

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Provision of municipal services to communities within the JB Marks local jurisdiction
Mayoral committee	
Executive Mayor	Hon Cllr KM Khumalo Hon Cllr KEG Mogoemang -Speaker Hon Cllr DM Matsapola - Chief Whip
Councillors	Cllr Maneli KM Cllr Modise DP (Deceased) Cllr Johnson KA Cllr Kgasane MP Cllr Mothopeng MS Cllr Louw EH (Deceased) Cllr Mkhabela LM Cllr P Molete
Grading of local authority	B2
Chief Finance Officer (CFO)	TE Moeketsane
Accounting Officer	L Ralekgetho CP Henry (Acting) M Jansen (Acting)

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General Information

Business address	35 Wolmarans Street Potchefstroom, 2531 South Africa
Postal address	P.O Box 113 Potchefstroom, 2520 South Africa
Auditors	Auditor General South Africa
Website	www.jbmarks.gov.za

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COIDA	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AC	Audit Committee
VAT	Value Added Tax

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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 set out on pages 5 to 95, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Accounting Officer

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Annual Financial Statements for the year ended 30 June 2019

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

Net deficit of the municipality was R 15 488 502 (2018: deficit R 92 979 489).

2. Going concern

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

3. Subsequent events

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

4. Accounting policies

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice and the requirements of the Municipal Finance Management Act 2003 (Act NO. 56 of 2003) (MFMA) and the Division of Act South Africa (Act No 2 of 2013) (DoRA).

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.

5. Accounting Officer

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

Name	Nationality
L Ralekgetho	South African
CP Henry (Acting)	South African
M Jansen (Acting)	South African

6. Corporate governance

General

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

Audit and risk committee

The Audit Committee has complied with its responsibilities arising from Section 166 of the Municipal Finance Management Act and Circular 65 issued by National Treasury. The Audit Committee has adopted appropriate formal terms of reference as its Audit Committee Charter, and it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The Audit Committee, consisting of independent outside members, has met at least four times per annum as per its approved terms of reference, although additional special meetings were held.

The AC reviewed functionality of the performance management system and it appears to be functional, however there is a room for improvement in so far as achievement of planned targets is concerned and submission of portfolio of evidence timeously.

The AC is of the opinion that municipality's risk management appears to be ineffective for the better of the year and material respect, and the municipality did implement a comprehensive risk management strategy and related policies.

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Accounting Officer's Report

7. Auditors

Auditor General South Africa will continue in office for the next financial period.

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Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	144 422 750	141 756 192
Receivables from non-exchange transactions	4	17 112 875	9 209 618
VAT receivable	6	15 775 536	23 640 315
Consumer debtors	5	251 298 796	233 590 600
Cash and cash equivalents	7	239 794 548	230 929 696
		668 404 505	639 126 421
Non-Current Assets			
Investment property	8	53 689 956	53 689 956
Property, plant and equipment	9	3 830 902 970	3 933 912 225
Intangible assets	10	13 447 916	9 313 701
Heritage assets	11	63 035 869	63 123 137
Other financial assets	12	57 302 252	52 255 221
		4 018 378 963	4 112 294 240
Total Assets		4 686 783 468	4 751 420 661
Liabilities			
Current Liabilities			
Other financial liabilities	13	-	23 439 311
Finance lease obligation	14	-	3 216 640
Payables from exchange transactions	15	300 195 609	286 936 043
Payables from non-exchange transactions	16	14 830	2 930 887
Consumer deposits	17	23 471 205	22 546 128
Employee benefit obligation	18	11 751 308	13 211 212
Unspent conditional grants and receipts	19	15 251 046	30 527 078
Provisions	20	2 024 433	2 024 433
		352 708 431	384 831 732
Non-Current Liabilities			
Finance lease obligation	14	-	2 130 256
Employee benefit obligation	18	171 347 811	188 293 037
Provisions	20	36 911 704	34 861 610
		208 259 515	225 284 903
Total Liabilities		560 967 946	610 116 635
Net Assets		4 125 815 522	4 141 304 026
Accumulated surplus		4 125 815 522	4 141 304 026

* See Note 50

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	22	888 771 867	891 561 896
Rental of facilities and equipment	23	6 148 402	6 737 187
Agency services		10 077 250	8 496 341
Licences and permits		5 804 699	3 484 451
Miscellaneous other revenue	25	38 667 456	29 183 669
Interest received	24	67 359 016	54 747 381
Dividends received	24	3 934	3 602
Total revenue from exchange transactions		1 016 832 624	994 214 527
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	26	177 751 062	164 374 077
Transfer revenue			
Government grants & subsidies	27	368 966 130	346 919 819
Public contributions and donations	28	1 972 712	7 359 654
Fines, Penalties and Forfeits		160 380 209	84 667 029
Total revenue from non-exchange transactions		709 070 113	603 320 579
Total revenue	21	1 725 902 737	1 597 535 106
Expenditure			
Employee related costs	29	(424 770 241)	(410 799 827)
Remuneration of councillors	30	(26 461 495)	(26 067 633)
Depreciation and amortisation	31	(235 889 605)	(229 839 048)
Impairment loss/ Reversal of impairments	32	(4 719 257)	(10 696 583)
Finance costs	33	(3 868 540)	(5 230 931)
Lease rentals on operating lease		(229 237)	(711 756)
Debt Impairment	34	(276 782 514)	(225 958 594)
Repairs and maintenance	35	(66 121 255)	(84 419 371)
Bulk purchases	36	(500 890 596)	(464 429 469)
Contracted services	37	(88 870 377)	(103 531 488)
General Expenses	38	(98 845 785)	(122 607 186)
Total expenditure		(1 727 448 902)	(1 684 291 886)
Operating deficit		(1 546 165)	(86 756 780)
Loss/gains on disposal of assets and liabilities		(13 952 667)	(6 233 292)
Fair value adjustments	39	10 330	10 583
		(13 942 337)	(6 222 709)
Surplus/(Deficit) for the period		(15 488 502)	(92 979 489)

* See Note 50

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	4 298 757 858	4 298 757 858
Adjustments		
Prior year adjustments	(64 474 344)	(64 474 344)
Balance at 01 July 2017 as restated*	4 234 283 515	4 234 283 515
Changes in net assets		
Surplus for the period	(92 979 489)	(92 979 489)
Total changes	(92 979 489)	(92 979 489)
Restated* Balance at 01 July 2018	4 141 304 024	4 141 304 024
Changes in net assets		
Surplus for the period	(15 488 502)	(15 488 502)
Total changes	(15 488 502)	(15 488 502)
Balance at 30 June 2019	4 125 815 522	4 125 815 522

* See Note 50

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Service charges and rates		764 128 964	854 646 840
Grants		350 774 044	348 572 392
Interest income		67 359 016	54 747 381
Dividends received		3 934	3 602
Other receipts		221 078 011	132 568 677
		<u>1 403 343 969</u>	<u>1 390 538 892</u>
Payments			
Employee costs		(469 636 866)	(419 704 854)
Suppliers		(736 499 463)	(754 388 957)
Finance costs		(1 818 446)	(1 366 319)
		<u>(1 207 954 775)</u>	<u>(1 175 460 130)</u>
Net cash flows from operating activities	40	<u>195 389 194</u>	<u>215 078 762</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(153 018 875)	(155 479 534)
Purchase of other intangible assets	10	(4 134 215)	-
Purchases of heritage assets	11	(4 452)	(10 166)
Proceeds from sale of heritage assets	11	91 720	68 040
Net movements in financial assets		(5 036 701)	(4 351 190)
		<u>(162 102 523)</u>	<u>(159 772 850)</u>
Net cash flows from investing activities		<u>(162 102 523)</u>	<u>(159 772 850)</u>
Cash flows from financing activities			
Settlement of other financial liabilities		(20 000 000)	(93 859)
Finance lease movements		(5 346 896)	(3 852 069)
Consumer deposits		925 077	2 226 042
		<u>(24 421 819)</u>	<u>(1 719 886)</u>
Net cash flows from financing activities		<u>(24 421 819)</u>	<u>(1 719 886)</u>
Net increase/(decrease) in cash and cash equivalents		8 864 852	53 586 026
Cash and cash equivalents at the beginning of the year		230 929 696	177 343 670
Cash and cash equivalents at the end of the year	7	<u>239 794 548</u>	<u>230 929 696</u>

* See Note 50

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	940 558 499	44 916 367	985 474 866	888 771 867	(96 702 999)	
Rental of facilities and equipment	3 642 341	(379 836)	3 262 505	6 148 402	2 885 897	
Agency services	-	6 665 000	6 665 000	10 077 250	3 412 250	
Licences and permits	14 074 267	(8 754 307)	5 319 960	5 804 699	484 739	
Miscellaneous other revenue	11 341 209	(393 422)	10 947 787	38 667 456	27 719 669	Note 1
Interest received - investment	40 966 872	10 660 000	51 626 872	67 359 016	15 732 144	
Dividends received	-	-	-	3 934	3 934	
Total revenue from exchange transactions	1 010 583 188	52 713 802	1 063 296 990	1 016 832 624	(46 464 366)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	174 267 678	(3 213 471)	171 054 207	177 751 062	6 696 855	
Transfer revenue						
Government grants & subsidies	362 553 000	(1 400 000)	361 153 000	368 966 130	7 813 130	
Public contributions and donations	-	-	-	1 972 712	1 972 712	
Fines, Penalties and Forfeits	85 454 847	(22 435)	85 432 412	160 380 209	74 947 797	Note 2
Total revenue from non-exchange transactions	622 275 525	(4 635 906)	617 639 619	709 070 113	91 430 494	
Total revenue	1 632 858 713	48 077 896	1 680 936 609	1 725 902 737	44 966 128	
Expenditure						
Personnel	(439 667 857)	(1 845 788)	(441 513 645)	(424 770 241)	16 743 404	
Remuneration of councillors	(32 551 092)	6 088 575	(26 462 517)	(26 461 495)	1 022	
Depreciation and amortisation	(238 131 521)	(15 230 579)	(253 362 100)	(235 889 605)	17 472 495	
Impairment loss/ Reversal of impairments	-	-	-	(4 719 257)	(4 719 257)	
Finance costs	-	(20 000 000)	(20 000 000)	(3 868 540)	16 131 460	Note 3
Lease rentals on operating lease	-	-	-	(229 237)	(229 237)	
Debt Impairment	(95 930 572)	(96 669 428)	(192 600 000)	(276 782 514)	(84 182 514)	Note 4
Other materials	(9 842 202)	7 489 773	(2 352 429)	-	2 352 429	
Repairs and maintenance	-	-	-	(66 121 255)	(66 121 255)	Note 5
Bulk purchases	(579 953 000)	53 064 000	(526 889 000)	(500 890 596)	25 998 404	
Contracted Services	(91 540 620)	297 131	(91 243 489)	(88 870 377)	2 373 112	
General Expenses	(250 584 644)	12 543 017	(238 041 627)	(98 845 785)	139 195 842	Note 5
Transfers and subsidies	(74 241 300)	70 991 300	(3 250 000)	-	3 250 000	
Total expenditure	(1 812 442 808)	16 728 001	(1 795 714 807)	(1 727 448 902)	68 265 905	
Operating deficit	(179 584 095)	64 805 897	(114 778 198)	(1 546 165)	113 232 033	
Loss on disposal of assets and liabilities	560 000	(560 000)	-	(13 952 667)	(13 952 667)	Note 6
Fair value adjustments	-	-	-	10 330	10 330	
	560 000	(560 000)	-	(13 942 337)	(13 942 337)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Deficit before taxation	(179 024 095)	64 245 897	(114 778 198)	(15 488 502)	99 289 696	
Deficit for the year from continuing operations	(179 024 095)	64 245 897	(114 778 198)	(15 488 502)	99 289 696	
Capital expenditure	(132 447 000)	(29 045 000)	(161 492 000)	(156 402 665)	5 089 335	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(311 471 095)	35 200 897	(276 270 198)	(171 891 167)	104 379 031	

Note 1 - Increase in cable connections and rentals of public amenities.

Note 2 - Improved internal controls on ensuring the completeness of traffic fines revenue was intensified in the current year.

Note 3 - A higher budgeted amount was to settle financial liabilities from former Ventersdorp Municipality.

Note 4 - Debt impairment policy was adjusted in the current year to align with GRAP 104 relating to impairing individual debtors based on their payment patterns.

Note 5 - Cost containment measures implemented effectively during the year.

Note 6 - No budget for losses and gains on disposals of assets and liabilities.

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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.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

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

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the 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.

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 carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

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. 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 tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including supply demand for municipal services, timing of cash flows, together with economic factors such as inflation, 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 20 - Provisions.

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Accounting Policies

1.3 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 (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 18.

Provision for rehabilitation of landfill sites

The Municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. A provision is made for this obligation based on the net present value of cost.

The uncertainties and assumptions attached to this provision are listed as follows:

The landfill closure designs has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for the sites previously classified as communal and small.

Should the Minister require for the sites to be relicensed or brought in line with new legislation, the closure requirements may be affected which may in turn affect the costing analysis.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

The municipality depreciates/amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Water Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water after the depth of water in the reservoirs have been determined, which is then converted into volumes based on the total capacity of the reservoir.

1.4 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.

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment 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.

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

Item	Depreciation method	Average useful life
Land		Indefinite
Buildings	Straight line	5-60 years
Plant and machinery	Straight line	2-20 years
Furniture and fixtures	Straight line	2-20 years
Motor vehicles	Straight line	5-20 years
Office equipment	Straight line	2-20 years
IT equipment	Straight line	5-20 years
Leasehold improvements	Straight line	10-50 years
Infrastructure	Straight line	3-80 years
Community	Straight line	5-60 years

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

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

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

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1.4 Property, plant and equipment (continued)

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

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.

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.

Cost model

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

Property - land	indefinite
Property - buildings	5-60 years

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

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

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.

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Accounting Policies

1.6 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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		Average useful life
Computer software	Straight line	5 years

The gain or loss arising from the derecognition of an 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).

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Accounting Policies

1.7 Heritage assets

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.

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.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess 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.

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).

1.8 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.

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1.8 Financial instruments (continued)

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.

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.

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.

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Consumer deposits	Financial asset measured at amortised cost
Non-current Investments	Financial asset measured at fair value

The municipality 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
Payables from non-exchange transactions	Financial liability measured at amortised cost

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1.8 Financial instruments (continued)

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.

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.

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The municipality 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 continue 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.

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Accounting Policies

1.8 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.

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the 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.

1.9 Leases

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

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

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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 .

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 - The Municipality as 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.

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

Operating leases - The Municipality as lessee

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

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Accounting Policies

1.10 Inventories

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

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

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

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

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

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

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

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

The cost of inventories is assigned using the 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.

1.11 Impairment of cash-generating assets

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

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.

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.

Identification

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

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

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

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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.

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.13 Employee benefits

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

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

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Accounting Policies

1.13 Employee benefits (continued)

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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

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1.13 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

JB Marks Local Municipality

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Accounting Policies

1.13 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 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.

1.14 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 deficits.

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

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Provisions and contingencies (continued)

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 42.

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 1.11 and .

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.

Levies

A levy is an outflow of resources embodying economic benefits that is imposed by governments on entities in accordance with legislation (i.e. laws and/or regulations), other than:

- those outflows of resources that are within the scope of other Standards, and
- fines or other penalties that are imposed for breaches of the legislation.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time (i.e. if the activity that triggers the payment of the levy, as identified by the legislation, occurs over a period of time).

If an obligation to pay a levy is triggered when a minimum threshold is reached, the corresponding liability is recognised when that minimum threshold is reached.

The municipality recognises an asset if it has prepaid a levy but does not yet have a present obligation to pay that levy.

1.15 Site restoration and dismantling cost

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

JB Marks Local Municipality

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Accounting Policies

1.15 Site restoration and dismantling cost (continued)

If the related asset is measured using the cost model:

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

1.16 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.

1.17 Revenue from exchange transactions

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

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.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from exchange transactions (continued)

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.

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.

1.18 Revenue from non-exchange transactions

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.

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

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

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.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.18 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.

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.

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.

Government Grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Investment income

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

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.20 Borrowing costs

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

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

1.21 Comparative figures

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

1.22 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.23 Fruitless and wasteful expenditure

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

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

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA 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.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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

JB Marks Local Municipality

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Accounting Policies

1.24 Irregular expenditure (continued)

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

1.25 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 cash 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.

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

Comparative information is not required.

1.26 Related parties

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

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

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

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

1.27 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.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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:

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:

3. Inventories

Consumable stores	25 120 148	21 624 022
Water	492 123	492 123
Land stock	118 810 479	119 640 047
	144 422 750	141 756 192

Inventory pledged as security

No Inventories have been pledged as collateral for liabilities of the municipality.

4. Receivables from non-exchange transactions

Traffic Fines	517 613 778	361 450 418
Sundry debtors	19 862 380	20 609 569
Sundry deposits	4 546 450	4 318 078
Impairment	(524 909 733)	(377 168 447)
	17 112 875	9 209 618

None of the receivables have been pledged as security for the municipality's financial liabilities.

Reconciliation of allowance for impairment

Opening balance	(377 078 618)	(286 273 106)
Contribution to allowance	(147 741 583)	(90 805 512)
	(524 820 201)	(377 078 618)

5. Consumer debtors

Gross balances

Rates	79 571 112	63 046 913
Electricity	189 020 848	157 269 989
Water	90 958 111	69 097 175
Sewerage	49 638 492	41 977 087
Refuse	40 355 591	32 218 644
Interest on overdue accounts	86 492 443	47 521 696
VAT on consumer debtors	52 634 622	37 251 657
Other debtors	62 519 411	55 957 907
	651 190 630	504 341 068

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Less: Allowance for impairment		
Rates	(50 454 408)	(35 263 926)
Electricity	(115 550 567)	(83 923 537)
Water	(55 603 714)	(36 872 129)
Sewerage	(30 344 567)	(22 400 114)
Refuse	(24 669 826)	(17 192 743)
Interest on overdue accounts	(52 873 802)	(25 358 868)
VAT on consumer debtors	(32 176 135)	(19 878 496)
Other debtors	(38 218 818)	(29 860 659)
	(399 891 837)	(270 750 472)
Net balance		
Rates	29 116 704	27 782 987
Electricity	73 470 281	73 346 454
Water	35 354 398	32 225 046
Sewerage	19 293 924	19 576 973
Refuse	15 685 767	15 025 902
Interest on overdue accounts	33 618 641	22 162 829
VAT on consumer debtors	20 458 486	17 373 161
Other debtors	24 300 595	26 097 248
	251 298 796	233 590 600
Rates		
Current (0 -30 days)	6 434 675	6 859 602
31 - 60 days	1 305 684	1 093 214
61 - 90 days	1 119 343	803 251
91 - 120 days	1 057 097	762 441
> 365 days	19 199 905	18 264 479
	29 116 704	27 782 987
Electricity		
Current (0 -30 days)	27 433 268	34 680 011
31 - 60 days	3 282 567	2 766 063
61 - 90 days	4 073 191	2 174 533
91 - 120 days	3 329 262	1 465 467
> 365 days	35 351 993	32 260 378
	73 470 281	73 346 452
Water		
Current (0 -30 days)	5 238 637	5 176 931
31 - 60 days	986 363	1 146 004
61 - 90 days	1 161 774	580 999
91 - 120 days	720 207	552 242
> 365 days	27 247 415	24 768 871
	35 354 396	32 225 047
Sewerage		
Current (0 -30 days)	3 135 003	3 584 404
31 - 60 days	823 508	698 840
61 - 90 days	525 158	538 511
91 - 120 days	489 808	521 523
> 365 days	14 320 448	14 233 695
	19 293 925	19 576 973

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	2 519 844	3 062 262
31 - 60 days	579 328	634 219
61 - 90 days	484 204	490 587
91 - 120 days	455 307	454 745
> 365 days	11 647 083	10 384 087
	15 685 766	15 025 900
Interest on overdue accounts		
Current (0 -30 days)	3 219 834	2 765 587
31 - 60 days	1 537 538	1 305 865
61 - 90 days	1 470 522	1 274 001
91 - 120 days	1 407 195	1 275 519
> 365 days	25 983 552	15 541 857
	33 618 641	22 162 829
VAT on consumer debtors		
Current (0 -30 days)	5 411 929	5 650 318
31 - 60 days	776 186	636 209
61 - 90 days	835 377	443 230
91 - 120 days	675 131	362 784
> 365 days	12 759 863	10 280 621
	20 458 486	17 373 162
Other debtors		
Current (0 -30 days)	9 598 673	13 255 447
31 - 60 days	179 543	118 292
61 - 90 days	135 324	114 698
91 - 120 days	174 493	133 780
> 365 days	14 212 559	12 475 032
	24 300 592	26 097 249
Reconciliation of allowance for impairment		
Balance at beginning of the year	(270 090 552)	(185 767 622)
Contributions to allowance	(129 801 286)	(84 322 930)
	(399 891 838)	(270 090 552)
6. VAT receivable		
Net balance receivable	15 775 536	23 640 315

The Municipality is registered for VAT on a payment basis.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	18 519 391	75 498 125
Current Investments	221 241 965	155 400 379
Other cash and cash equivalents	33 192	31 192
	239 794 548	230 929 696

The municipality did not pledge any of its cash and cash equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its cash and cash equivalents.

The management of the municipality is of the opinion that the carrying value of bank balances, current investments and other cash and cash equivalents recorded at amortised cost in the annual financial statements approximate their fair values.

The fair value of bank balances, current investments and other cash and cash equivalents was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Absa - Current - 4090067672	1 306 176	17 811 610	6 243 111	1 100 308	15 981 682	15 268 569
Absa - Call - 9324900933	116 583	1 065 535	16 698 364	116 583	1 065 536	16 698 364
Absa - Current - 680000093	-	-	1 605 526	-	-	1 605 526
Absa - Traffic fines - 9111051672	-	-	20 860	-	-	11 657
Absa - Current - 2250000017	508 569	152 788	39 548	508 569	152 788	38 768
First National Bank - Current - 62413246241	11 518 828	6 436 145	992 711	11 518 828	6 436 145	884 444
First National Bank - Traffic fines - 62413454133	4 524 151	3 021 049	42 320	4 524 151	3 021 049	42 320
Nedbank - Current -1497222400	742 387	48 832 360	1 944 827	742 387	48 832 360	1 944 827
Nedbank - Debtors/Rates and Taxes - 1497222451	8 565	8 565	-	8 565	8 565	8 565
Total	18 725 259	77 328 052	27 587 267	18 519 391	75 498 125	36 503 040

The municipality had the following current investments

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019			2018		
7. Cash and cash equivalents (continued)						
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
Nedbank - Call deposit - 03/7881004517/000083	171 021 831	21 666 132	631 739	171 021 831	21 666 132	631 739
Nedbank - Fixed deposit - 03/7881004517/000089	-	85 919 024	-	-	85 919 024	-
Nedbank - Fixed deposit - 03/7881004517/000081	-	-	-	4	4	-
Absa - Fixed deposit - 2076763888	-	-	79 959 200	-	-	79 959 200
Standard bank - 43 846 0944_038 - Call deposit	48 350	46 337	44 412	48 350	46 337	44 412
Standard bank - Call deposit - 43 846 0944-045	36 272 862	34 468 168	32 741 385	36 272 862	34 468 168	32 741 385
Investec bank - Call deposit - 1400-190518-500	192 692	180 685	169 345	192 692	180 685	169 345
First National Bank - Fixed deposit - 62027926726	4 264	4 399	4 659	4 264	4 399	4 659
First National Bank - Call - 62419914991	55 949	52 661	49 487	55 949	52 661	49 487
First National Bank - Call - 62419921417	71 632	67 407	57 888	71 632	67 407	57 888
Absa - Housing - 4055584178	-	-	14 723 662	-	-	14 723 662
Absa - Mayoral funds - 4053962053	-	-	(240)	-	-	(240)
Absa - Municipal funds - 405583287	13 574 381	12 995 561	12 427 901	13 574 381	12 995 561	12 427 901
Total	221 241 961	155 400 374	140 809 438	221 241 965	155 400 378	140 809 438

JB Marks Local Municipality

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8. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	53 689 956	-	53 689 956	53 689 956	-	53 689 956

Reconciliation of investment property - 2019

Investment property	Opening balance	Total
	53 689 956	53 689 956

Reconciliation of investment property - 2018

Investment property	Opening balance	Total
	53 689 956	53 689 956

Pledged as security

There are no contractual obligations on Investment Property.

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.

JB Marks Local Municipality

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9. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	427 822 703	-	427 822 703	428 183 246	-	428 183 246
Buildings	422 434 106	(241 315 584)	181 118 522	417 205 517	(222 354 715)	194 850 802
Library books	24 029 157	(19 155 246)	4 873 911	22 336 050	(17 649 586)	4 686 464
Infrastructure	5 956 866 861	(3 112 267 088)	2 844 599 773	5 872 868 640	(2 950 304 377)	2 922 564 263
Community	628 709 747	(343 476 679)	285 233 068	624 271 161	(318 721 914)	305 549 247
Other property, plant and equipment	214 475 441	(127 220 448)	87 254 993	192 869 167	(114 790 964)	78 078 203
Total	7 674 338 015	(3 843 435 045)	3 830 902 970	7 557 733 781	(3 623 821 556)	3 933 912 225

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	428 183 246	-	(360 543)	-	-	427 822 703
Buildings	194 850 802	5 228 589	-	(18 960 869)	-	181 118 522
Library books	4 686 464	1 693 142	-	(1 096 540)	(409 155)	4 873 911
Infrastructure	2 922 564 263	114 952 030	(13 327 901)	(176 224 631)	(3 363 988)	2 844 599 773
Community	305 549 247	7 616 262	(1 760 368)	(26 172 073)	-	285 233 068
Other property, plant and equipment	78 078 203	24 746 687	(1 110 494)	(13 513 289)	(946 114)	87 254 993
	3 933 912 225	154 236 710	(16 559 306)	(235 967 402)	(4 719 257)	3 830 902 970

Pledged as security

The municipality did not pledge any of its assets as security.

JB Marks Local Municipality

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9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Buildings	Total
Opening balance	138 815 256	11 231 151	150 046 407
Additions/capital expenditure	115 039 280	12 692 720	127 732 000
Transferred to completed items	(44 330 127)	(14 199 108)	(58 529 235)
	209 524 409	9 724 763	219 249 172

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Buildings	Total
Opening balance	56 427 776	1 401 833	57 829 609
Additions/capital expenditure	219 033 764	9 915 361	228 949 125
Transferred to completed items	(136 646 283)	(86 044)	(136 732 327)
	138 815 257	11 231 150	150 046 407

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.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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10. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	13 447 916	-	13 447 916	9 313 701	-	9 313 701

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Computer software	9 313 701	4 134 215	13 447 916

Reconciliation of intangible assets - 2018

	Opening balance	Total
Computer software, other	9 313 701	9 313 701

Pledged as security

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. The municipality did not pledge any of its assets as security.

Details of valuation

The municipality's Intangible Assets have indefinite useful lives and are therefore not amortised. No restrictions apply to any of the Intangible Assets of the municipality.

11. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectables and monuments	63 035 869	-	63 035 869	63 123 137	-	63 123 137

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

11. Heritage assets (continued)

Reconciliation of heritage assets 2019

	Opening balance	Additions	Disposals	Total
Museum collectables and monuments	63 123 137	4 452	(91 720)	63 035 869

Reconciliation of heritage assets 2018

	Opening balance	Additions	Disposals	Total
Museum collectables and monuments	63 181 011	10 166	(68 040)	63 123 137

Pledged as security

All of the municipality's Heritage Assets are held under freehold interests and no Heritage Assets had been pledged as security for any liabilities of the municipality.

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
12. Other financial assets		
Designated at fair value		
Listed shares	78 842	71 509
Listed Shares are investments in shares of public companies with no specific maturity dates or interest rates. Listed shares and unit trusts are measured at fair value using quoted market prices.		
Unit trusts	161 317	158 320
Unit trusts are portfolios of stock exchange securities in which investors can buy units. Listed shares and unit trusts are measured at fair value using quoted market prices.		
	240 159	229 829
At amortised cost		
Long Term Investment - Investec Bank	57 062 093	52 025 392
The management of the municipality is of the opinion that the carrying value of Investments recorded at amortised cost in the Annual Financial Statements approximate their fair values.		
The fair value of Investments was determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.		
Total other financial assets	57 302 252	52 255 221
Non-current assets		
Designated at fair value	240 159	229 829
At amortised cost	57 062 093	52 025 392
	57 302 252	52 255 221

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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13. Other financial liabilities

At amortised cost

INCA Loan

- 23 439 311

The INCA loans were provided for Infrastructural development with the below terms:

	Loan 1	Loan 2
Initial Loan Amount	R11 750 000	R8 000 000
Inception Date	2006/12/15	2007/04/04
Maturity Date	2026/12/31	2022/06/30
Loan Term	20 years	15 years 3 months
Payment Frequency	Bi-annual (Six Monthly)	Bi-annual (Six Monthly)
Effective Interest rate	10.8%	10.96%

The INCA loan was incorrectly written off from the accounting records of former Municipality Ventersdorp in the 2013/14 financial year due to a court judgement in favour of the Municipality arising from a dispute on the interest and repayment calculation of the loan.

A prior period error adjustment has been effected to reinstate the INCA loan into the accounting records of the Municipality as the Municipality had been unduly enriched. A court judgement on undue enrichment was received in the current financial year instructing the Municipality to settle the INCA loan with an amount of R20 000 000.

Current liabilities

At amortised cost

- 23 439 311

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
14. Finance lease obligation		
Minimum lease payments due		
- within one year	-	3 852 069
- in second to fifth year inclusive	-	2 247 040
		<u>6 099 109</u>
less: future finance charges	-	(752 215)
Present value of minimum lease payments	-	5 346 894
Present value of minimum lease payments due		
- within one year	-	3 216 640
- in second to fifth year inclusive	-	2 130 256
		<u>5 346 896</u>
Non-current liabilities	-	2 130 256
Current liabilities	-	3 216 640
	-	5 346 896

It is the municipality's policy to lease certain equipment under finance leases. Finance Leases relate to movable assets with lease terms not more than 3 years. The effective interest rate on Finance Leases is 16.23%.

The Municipality early settled the finance lease liability in the current financial year.

15. Payables from exchange transactions

Trade creditors	202 956 515	171 206 514
Payments received in advanced	25 737 811	22 386 709
Unallocated debtors	25 656 892	19 807 818
Engineering services contributions	20 109	22 200
Staff leave	40 130 685	34 466 393
Retentions	11 884 930	19 171 718
Debtors salaries	(6 816 765)	15 943 145
Sundry creditors	6 922	-
Other Creditors	618 510	3 931 546
	300 195 609	286 936 043

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has financial risk policies in place to ensure that all payables are paid within the credit timeframe.

16. Payables from non-exchange transactions

Sundry deposits	14 830	14 830
Other Creditors	-	2 916 057
	14 830	2 930 887

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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16. Payables from non-exchange transactions (continued)

No credit period exists for payables from non-exchange transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts.

The municipality did not default on any payment of its creditors. No terms for payment have been renegotiated by the municipality.

The management of the municipality is of the opinion that the carrying value of creditors approximates their fair values.

The fair value of creditors was determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties.

17. Consumer deposits

Electricity and water	23 471 205	22 546 128
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No guarantees are held in lieu of consumer deposits.

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

No interest is paid on consumer deposits held.

JB Marks Local Municipality

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18. Employee benefit obligations

Reconciliation of total employee benefit obligations

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

Carrying value

Post-retirement health care benefits liability	(162 848 704)	(182 689 147)
Long service awards liability	(20 250 415)	(18 815 102)
	(183 099 119)	(201 504 249)

Carrying value

Current liabilities	(11 751 308)	(13 211 212)
Non-current liabilities	(171 347 811)	(188 293 037)
	(183 099 119)	(201 504 249)

Post-retirement health care benefits liability

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current conditions of service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

In accordance with the requirements of GRAP25, the projected unit credit method has been applied. The assumption underlying the funding method is that the employer's postemployment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

Opening balance	182 689 147	168 965 019
Net expense recognised in the statement of financial performance	(19 840 443)	13 724 128
	162 848 704	182 689 147

Net expense recognised in the statement of financial performance

Current service cost	4 133 438	3 910 246
Interest cost	17 336 411	15 411 801
Actuarial (gains)/losses	(30 097 703)	4 254 647
Benefits paid	(11 212 589)	(9 852 566)
	(19 840 443)	13 724 128

The net expense has been included as part on employee related costs and disclosed on Note 28.

Eligible employees

Active employees (on medical aid) - average age (years)	45.83
Active employees (on medical aid) - average employer monthly contribution (ZAR)	2 815
Continuation pensioners - average age (years)	71.35
Continuation pensioners - average employer monthly contribution (ZAR)	4 213

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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18. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.72 %	9.79 %
CPI	5.79 %	6.08 %
Health care cost inflation	7.29 %	7.58 %
Net Discount Rate	2.26 %	2.05 %

The basis on which the net discount rate has been determined is as follows:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation date, 30 June 2018 the duration of liabilities was 11.17 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 9.72% per annum, and the yield on the inflation-linked bonds of a similar term was about 3.24% per annum, implying an underlying expectation of inflation of 5.79% per annum $([1 + 9.72\% - 0.5\%] / [1 + 3.24\%] - 1)$.

A health care cost inflation rate of 7.29% was assumed. This is 1.5% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and health care inflation to one another that are important, rather than the nominal values. We have thus assumed a net discount factor of 2.26% per annum $([1 + 9.72\%] / [1 + 7.29\%] - 1)$. This year's valuation basis is, therefore, stronger than previous year's basis from a discount rate perspective.

Sensitivity Analysis

Medical inflation and discount rate

	- 1% decrease (R's)	30 June 2019 Valuation basis (R's)	1% increase (R's)
Medical Inflation Rate			
Employer's accrued liability	145 413 576	162 848 704	183 688 137
Employer's current service cost	3 431 389	4 136 202	5 025 603
Employer's interest cost	13 654 879	15 347 324	17 370 678
Discount Rate			
Employer's accrued liability	182 821 416	162 848 704	146 380 015
Employer's current service cost	4 965 546	4 136 202	3 483 080
Employer's interest cost	15 510 002	15 347 324	15 160 824

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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18. Employee benefit obligations (continued)

Demographic and decrement assumptions used are as follows:

The assumed normal retirement age is 65 years and the fully accrued age (to take account for ill-health and early retirement decrements) is 63 years for active employees on the medical aid.

The assumed age difference between spouses is 5 years for active employees on the medical aid and the actual years are used for pensioners.

The assumed mortality used was based on the SA85/90 mortality table for active members on the medical aid and the PA(90)-1 table for pensioners.

Continuation on medical aid at retirement age assumptions used as follows:

It was assumed that 50% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Long service awards liability

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a long-service award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter, to employees. The provision is an estimate of the long-service based on historical staff turnover.

No other long-service benefits are provided to employees.

The most recent actuarial valuations of the defined benefit obligation were carried out as at 30 June 2019 by One Pangaea Expertise & Solutions. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

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

Opening balance	18 815 102	15 376 624
Net expense recognised in the statement of financial performance	1 435 313	3 438 478
	20 250 415	18 815 102

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
18. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Current service cost	330 474	1 309 109
Interest cost	1 558 882	1 210 524
Actuarial (gains) losses	(16 161)	2 812 780
Benefits paid	(437 882)	(1 893 935)
	1 435 313	3 438 478

The net expense has been included as part on employee related costs and disclosed on Note 28.

Eligible employees

Number of employees	1 318	1 238
Average annual salary (ZAR)	197 900	180 397
Average age (years)	45.1	46.1
Average past service (years)	11.2	12.8

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.02 %	8.75 %
CPI	4.34 %	5.36 %
Expected increase in salaries	5.34 %	6.36 %
Net Discount Rate	2.54 %	2.25 %

The basis on which the net discount rate has been determined is as follows:

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2018 the duration of liabilities was 6.04 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2019 is 8.02% per annum, and the yield on inflation-linked bonds of a similar term was about 3.05% per annum. This implies an underlying expectation of inflation of 4.34% per annum $[(1 + 8.02\% - 0.5\%) / (1 + 3.05\%) - 1]$.

Salary inflation would exceed general inflation by 1.00% per annum, i.e. 5.34% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that are important, rather than the nominal values. Thus assumed a net discount factor of 2.54% per annum $[(1 + 8.02\%) / (1 + 5.34\%) - 1]$.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

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2018

18. Employee benefit obligations (continued)

Sensitivity Analysis

Salary increase and Discount rate

	- 1% decrease (R's)	30 June 2019 Valuation basis (R's)	1% increase (R's)
Salary Increase Rate			
Employer's accrued liability	19 077 512	20 250 415	21 535 289
Employer's current service cost	1 514 224	1 628 957	1 756 629
Employer's interest cost	1 588 674	1 550 200	1 653 247
Discount Rate			
Employer's accrued liability	21 514 185	20 250 415	19 115 412
Employer's current service	1 754 516	1 628 957	1 517 904
Employer's interest cost	1 445 346	1 550 200	1 641 468

Demographic and decrement assumptions used are as follows:

The assumed average retirement age (years) is 63 (males) and 58 (females) for the current and prior financial years.

The assumed mortality used was based on the SA85/90 mortality table for the current and prior financial years.

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Dr Kenneth Kaunda District Projects	18 515	18 515
Provincial: Department Arts and Culture - Library Grant	3 629 235	3 167 823
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	-	4 926 310
Lotto: Mohadin Stadium	491 999	491 999
Lotto: Tshwaraganang	263 972	263 972
Lotto: Sarafina Sports Facilities	787 245	787 245
National: Municipal Infrastructure Grant (MIG)	4 724 270	7 498 147
Local Government - SETA Grant (LG SETA)	901 721	1 176 830
National: Integrated National Electrification Program (INEP)	3 750 466	12 001 364
Fire and Emergency Grant	20 738	20 738
Provincial: Health Subsidies	13 996	13 996
LED - City Branding	69 417	69 417
LED - Projects Tourism Initiative	90 722	90 722
National: Municipal Systems Improvement Grant (MSIG)	488 750	-
	15 251 046	30 527 078

The unspent conditional grants and receipts are invested in investment accounts until utilised. See Note 27 for the reconciliation of grants from government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

JB Marks Local Municipality

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Figures in Rand 2019 2018

20. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Performance bonuses	2 024 433	-	2 024 433
Rehabilitation of Land-fill Sites	34 861 610	2 050 094	36 911 704
	36 886 043	2 050 094	38 936 137

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Performance bonuses	2 024 433	-	2 024 433
Rehabilitation of Land-fill Sites	32 111 311	2 750 299	34 861 610
	34 135 744	2 750 299	36 886 043

Non-current liabilities	36 911 704	34 861 610
Current liabilities	2 024 433	2 024 433
	38 936 137	36 886 043

Environmental rehabilitation provision

In terms of the licensing of two landfill refuse sites, the municipality will incur estimated rehabilitation costs of R 18,651,833.16 for the Ventersdorp landfill site and R 40,949,544.17 for the Felophepa landfill site at the end of their useful lives, estimated to be in 2034 for Vendersdorp landfill site and 2022 for Felophepa landfill site, based on recent valuation reports.

The discount rate used is the weighted average cost of capital (WACC) calculated for the both the Ventersdorp and Felophepa landfill sites to be 8.89% based on valuations.

The 2019 and 2018 financial years' landfill closure provisions were calculated using a different methodology as compared to previous financial years. Whereas previously the closure and rehabilitation costs were calculated using a mining rehabilitation methodology, the current methodology is based on prevailing industry trends and regulatory dictates for the closure of landfills. In particular, the landfill classification system has changed from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for sites previously classified as Communal and Small. The mining rehabilitation methodology used previously understated the future costs, hence the adjustments required in this financial year.

The 2019 rehabilitation and closure costs were based on information gathered at the site inspections (visual assessment, asset register, and JBM LM data) and assumptions regarding the timing of the future development of each site. These valuations were performed by EMS Advisory (PTY) LTD for the 2018/19 financial period.

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
21. Revenue		
Service charges	888 771 867	891 561 896
Rental of facilities and equipment	6 148 402	6 737 187
Agency services	10 077 250	8 496 341
Licences and permits	5 804 699	3 484 451
Miscellaneous other revenue	38 667 456	29 183 669
Interest received	67 359 016	54 747 381
Dividends received	3 934	3 602
Property rates	177 751 062	164 374 077
Government grants & subsidies	368 966 130	346 919 819
Public contributions and donations	1 972 712	7 359 654
Fines, penalties and forfeits	160 380 209	84 667 029
	1 725 902 737	1 597 535 106

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

Service charges	888 771 867	891 561 896
Rental of facilities and equipment	6 148 402	6 737 187
Agency services	10 077 250	8 496 341
Licences and permits	5 804 699	3 484 451
Miscellaneous other revenue	38 667 456	29 183 669
Interest received	67 359 016	54 747 381
Dividends received	3 934	3 602
	1 016 832 624	994 214 527

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

Taxation revenue

Property rates	177 751 062	164 374 077
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Transfer revenue

Government grants & subsidies	368 966 130	346 919 819
Public contributions and donations	1 972 712	7 359 654
Fines, penalties and forfeits	160 380 209	84 667 029

709 070 113 **603 320 579**

22. Service charges

Sale of electricity	658 965 065	665 488 854
Sale of water	115 017 798	114 253 090
Sewerage and sanitation charges	65 027 539	62 058 718
Refuse removal	49 761 465	49 761 234
	888 771 867	891 561 896

The amounts disclosed above for revenue from service charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

23. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	6 148 402	6 737 187
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Rental revenue earned on facilities and equipment is in respect of non-financial assets rented out.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
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24. Investment revenue

Dividend revenue

Other financial assets - investments in shares	3 934	3 602
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Interest revenue

Current Investments	16 359 768	11 489 381
Investec Promissory Note	5 036 700	4 351 190
Eskom deposits	228 834	259 706
Bank balances	5 713 210	5 498 751
Interest charged on trade and other receivables	39 956 743	33 148 353
Interest received - SARS	63 761	-
	67 359 016	54 747 381
	67 362 950	54 750 983

25. Miscellaneous other revenue

Administration and management fees received - third party	4 156 822	3 877 351
Fees earned	1 846 000	2 142 117
Building Fees	1 505 351	2 131 487
Sundries	11 859 664	15 336 730
Clearance certificates	476 294	367 312
Sewerage plan fees	366 395	345 883
Funeral fees	1 097 611	1 041 496
Display posters	446 310	352 418
Marketing	279 282	233 210
Admission: Motor Vehicles	568 970	799 315
Levy legal expenses	177 643	316 565
Other income	15 887 114	2 239 785
	38 667 456	29 183 669

26. Property rates

Rates received

Property rates	177 751 062	164 374 077
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Property rates are levied on the value of land and improvements, which valuation is performed every five years. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The last valuation came into effect 1 July 2012 (at Tlokwe) and 1 July 2014 at Ventersdorp. The new valuation roll for JB Marks Local Municipality will come into effect on the 1st of July 2019.

Rates are levied monthly on property owners and are payable at the end of each month.

Valuations

Residential	22 417 498 500	22 053 080 500
Agricultural	9 587 528 200	9 483 288 200
Industrial / commercial	720 931 000	717 401 000
State	1 596 242 000	1 596 242 000
Municipal	913 650 950	913 779 950
Public service infrastructure	2 830 373 500	2 795 050 500
Multi-purpose	357 301 000	314 042 000
	38 423 525 150	37 872 884 150

Supplementary valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions.

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Government grants and subsidies		
Operating grants		
Equitable share grant	233 655 366	209 740 000
National: Municipal Demarcation Transition Grant (MDTG)	-	4 566 000
Local Government - SETA Grant (LG SETA)	362 159	231 169
National: Expanded Public Works Program Grant (EPWP)	1 947 000	3 868 000
National: Finance Management Grant (FMG)	4 115 000	4 045 000
Provincial: Department Arts and Culture - Library Grant	727 588	736 840
Municipal Systems Improvement Grant (MSIG)	566 250	-
	241 373 363	223 187 009
Capital grants		
National: Municipal Infrastructure Grant (MIG)	59 613 877	86 860 484
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)	4 926 310	3 073 690
National: Water Services Infrastructure Grant (WSIG)	20 000 000	27 000 000
National: Regional Bulk Infrastructure Grant (RBIG)	12 386 047	6 300 000
National: Integrated National Electrification Program (INEP)	30 666 533	498 636
	127 592 767	123 732 810
	368 966 130	346 919 819
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100% monthly subsidy on all basic services based on the monthly billing, towards their consumer account. All residential households receive 6 kl water and 50 kWh electricity (indigents only) free every month.		
Dr Kenneth Kaunda District Projects		
Balance unspent at beginning of year	18 515	18 515
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	18 515	18 515
Provincial: Department Arts and Culture (Library Grant)		
Balance unspent at beginning of year	3 167 823	2 404 662
Current-year receipts	1 189 000	1 500 000
Conditions met - transferred to revenue	(727 588)	(736 839)
	3 629 235	3 167 823

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Government grants and subsidies (continued)		
National: Regional Bulk Infrastructure Grant (RBIG)		
Balance unspent at beginning of year	-	-
Current-year receipts	12 386 047	6 300 000
Conditions met - transferred to revenue	(12 386 047)	(6 300 000)
	-	-
National: Municipal Demarcation Transition Grant (MDTG)		
Current-year receipts	-	4 566 000
Conditions met - transferred to revenue	-	(4 566 000)
	-	-
National: Energy Efficiency and Demand Side Management Grant (EEDSMG)		
Balance unspent at beginning of year	4 926 310	-
Current-year receipts	-	8 000 000
Conditions met - transferred to revenue	(4 926 310)	(3 073 690)
	-	4 926 310
National: Expanded Public Works Program Grant (EPWP)		
Balance unspent at beginning of year	-	-
Current-year receipts	1 947 000	3 868 000
Conditions met - transferred to revenue	(1 947 000)	(3 868 000)
	-	-
National: Water Services Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current-year receipts	20 000 000	27 000 000
Conditions met - transferred to revenue	(20 000 000)	(27 000 000)
	-	-
National: Municipal Finance Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current-year receipts	4 115 000	4 045 000
Conditions met - transferred to revenue	(4 115 000)	(4 045 000)
	-	-
Lotto: Mohadin Stadium		
Balance unspent at beginning of year	491 999	491 999
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	491 999	491 999

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Government grants and subsidies (continued)		
Lotto: Tshwaraganang		
Balance unspent at beginning of year	263 972	263 972
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	263 972	263 972
Lotto: Sarafina Sports Facilities		
Balance unspent at beginning of year	787 245	787 245
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	787 245	787 245
National: Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	7 498 147	26 508 631
Current-year receipts	56 840 000	67 850 000
Conditions met - transferred to revenue	(59 613 877)	(86 860 484)
	4 724 270	7 498 147
National - SETA Grant		
Balance unspent at beginning of year	1 176 830	1 120 665
Current-year receipts	87 050	287 334
Conditions met - transferred to revenue	(362 159)	(231 169)
	901 721	1 176 830
National: Integrated National Electrification Program (INEP)		
Balance unspent at beginning of year	12 001 364	-
Roll-over declined	(9 501 365)	-
Current-year receipts	31 917 000	12 500 000
Conditions met - transferred to revenue	(30 666 533)	(498 636)
	3 750 466	12 001 364
Fire and Emergency Grant		
Balance unspent at beginning of year	20 738	20 738
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	20 738	20 738
Provincial: Health Subsidies		
Balance unspent at beginning of year	13 996	13 996
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	13 996	13 996

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
27. Government grants and subsidies (continued)		
LED - City Branding		
Balance unspent at beginning of year	69 417	69 417
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	69 417	69 417
LED Projects Tourism Initiative		
Balance unspent at beginning of year	90 722	90 722
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
	90 722	90 722
National: Municipal Systems Improvement Grant (MSIG)		
Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(566 250)	-
	488 750	-
28. Public contributions and donations		
ERF donations received	1 972 712	5 278 315
Donations received - Kenneth Kaunda	-	1 400 824
Library donations received	-	680 515
	1 972 712	7 359 654

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
29. Employee related costs		
Basic	244 621 015	232 069 976
Medical aid - company contributions	32 186 895	30 646 641
Contributions: post-retirement and long service benefits - Note 17	(18 405 130)	17 162 606
Current service costs	4 463 912	5 219 355
Interest cost	18 895 293	16 622 325
Actuarial (gains)/losses	(30 113 864)	7 067 427
Benefits paid	(11 650 471)	(11 746 501)
Travel, motor car, accommodation, subsistence and other allowances	10 195 357	9 571 801
Overtime payments	66 849 248	39 175 159
Long-service awards	-	180 402
13th Cheques	17 907 629	13 760 876
Standby allowances	5 721 272	5 368 133
Housing benefits and allowances	1 488 621	2 191 865
Group insurance	4 838 172	6 185 403
Pension fund	44 622 564	41 514 562
Redemption of leave	9 794 398	10 743 208
Phone allowance	738 257	918 018
Other payments	4 211 943	1 311 177
	424 770 241	410 799 827

Remuneration of Municipal Manager

Annual Remuneration	710 458	878 870
Car Allowance	-	78 305
Cellphone Allowance	-	11 775
Contributions to UIF, Medical and Pension Funds	54 919	458 051
Skills development Levy	8 653	1 242
Other	28 418	149 469
	802 448	1 577 712

The Municipal Manager L Ralekgetho was appointed on the 1st of January 2019 to date.

Acting Municipal Manager CP Henry was appointed on the 1st of March 2018 to 31st of August 2018.

Acting Municipal Manager M Jansen was appointed on the 1st of September 2018 to the 31st of December 2018

Remuneration of Acting Municipal Manager

Annual Remuneration	110 302	220 603
Car Allowance	20 000	40 000
Cellphone Allowance	2 000	4 000
Contributions to UIF, Medical and Pension Funds	49 566	90 219
Skills development Levy	4 019	4 273
Acting Allowance	255 341	130 839
Housing Allowance	19 752	39 503
	460 980	529 437

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

29. Employee related costs (continued)

Remuneration of Chief Finance Officer

Annual Remuneration	742 961	351 025
Car Allowance	277 490	132 318
Cellphone Allowance	12 000	6 000
Contributions to UIF, Medical and Pension Funds	261 187	127 118
Skills development Levy	12 366	3 677
Housing Allowance	198 608	99 826
Other	31 387	896
	1 535 999	720 860

The Chief Finance Officer T Moeketsane was appointed on the 1st of January 2018 to date.

Remuneration of Acting Chief Finance Officer

Annual Remuneration	-	74 834
Car Allowance	-	19 532
Cellphone Allowance	-	1 400
Contributions to UIF, Medical and Pension Funds	-	41 883
Acting Allowance	-	36 455
Other	-	122
	-	174 226

Remuneration of Director: Municipal Services

Annual Remuneration	678 960	-
Car Allowance	156 679	-
Cellphone Allowance	10 000	-
Contributions to UIF, Medical and Pension Funds	278 869	-
Skills development Levy	9 748	-
Housing Allowance	98 331	-
Other	27 084	-
	1 259 671	-

Remuneration of Acting Director: Municipal Services

Annual Remuneration	-	144 309
Car Allowance	-	36 658
Cellphone Allowance	-	2 700
Contributions to UIF, Medical and Pension Funds	-	56 012
Skills development Levy	-	1 816
Acting Allowance	-	1 570
	-	243 065

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

29. Employee related costs (continued)

Remuneration of Director: Economic Development

Annual Remuneration	-	453 630
Car Allowance	-	133 350
Cellphone Allowance	-	9 000
Contributions to UIF, Medical and Pension Funds	-	200 077
Skills development Levy	-	2 700
Housing Allowance	-	129 066
Other	-	174 979
	-	1 102 802

Remuneration of Director: Corporate Services

Annual Remuneration	298 995	446 354
Car Allowance	72 500	136 799
Cellphone Allowance	-	9 400
Contributions to UIF, Medical and Pension Funds	82 451	125 355
Skills development Levy	3 963	7 241
Annual / holiday bonus	-	62 553
Housing Allowance	-	136 700
	457 909	924 402

BMB Mosepele was appointed on the 1st of February 2019.

Remuneration of Acting Director: Corporate Services

Annual Remuneration	120 108	112 251
Car Allowance	29 920	29 562
Cellphone Allowance	2 100	2 100
Contributions to UIF, Medical and Pension Funds	61 031	54 020
Skills development Levy	1 760	1 739
Housing Allowance	2 557	2 390
Acting Allowance	26 191	30 254
	243 667	232 316

The Acting Director Corporate Services GIM Modise was appointed 1 May 2018 to 31 January 2019.

Remuneration of Director: Human Settlement and Planning

Annual Remuneration	-	174 802
Car Allowance	-	56 676
Cellphone Allowance	-	4 000
Contributions to UIF, Medical and Pension Funds	-	107 679
Housing Allowance	-	22 191
	-	365 348

Human settlement and planning department was discontinued in the current year.

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
29. Employee related costs (continued)		
Remuneration of Director: Infrastructure		
Annual Remuneration	231 762	683 331
Car Allowance	28 997	82 130
Cellphone Allowance	4 000	12 000
Contributions to UIF, Medical and Pension Funds	-	346 021
Skills development Levy	6 219	3 944
Housing Allowance	108 990	324 543
Other	1 448	976
	381 416	1 452 945

BM Zungu was appointed Director Infrastructure on the 1st of August 2013 to 30 September 2018.

Remuneration of Acting Director: Infrastructure

Annual Remuneration	360 290	-
Car Allowance	98 757	-
Cellphone Allowance	6 300	-
Contributions to UIF, Medical and Pension Funds	173 082	-
Skills development Levy	6 397	-
Acting Allowance	83 455	-
Bonus	51 470	-
Other	37 775	-
	817 526	-

The Acting Director Infrastructure J Van Den Berg was appointed on the 1st of November 2018 to date.

Remuneration of Director: Public Safety

Annual Remuneration	298 233	258 723
Car Allowance	72 500	78 507
Cellphone Allowance	-	5 000
Contributions to UIF, Medical and Pension Funds	85 601	120 817
Skills development Levy	4 008	430
Housing Allowance	-	81 328
	460 342	544 805

Remuneration of Acting Director: Public Safety

Annual Remuneration	369 160	112 797
Car Allowance	73 041	32 457
Cellphone Allowance	4 900	2 100
Contributions to UIF, Medical and Pension Funds	164 129	62 952
Skills development Levy	4 569	1 925
Acting Allowance	25 768	29 765
Other	1 064	20 010
	642 631	262 006

The Acting Director Public Safety MD Grimbeek was appointed on the 1st of February 2018 to 31 January 2019.

The Director Public Safety OS Msibi was appointed on the 1st of February 2019.

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
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29. Employee related costs (continued)

Remuneration of director: community services

Annual Remuneration	-	420 446
Car Allowance	-	85 867
Contributions to UIF, Medical and Pension Funds	-	214 385
Skills development Levy	-	1 769
Other	-	189
Housing Allowance	-	106 113
	-	828 769

Community services was merged into Municipal Services.

Remuneration of director: sports, arts and culture

Annual Remuneration	-	441 207
Car Allowance	-	80 000
Cellphone Allowance	-	8 000
Contributions to UIF, Medical and Pension Funds	-	245 592
Housing Allowance	-	79 121
	-	853 920

Sport, arts and culture was merged into Municipal Services.

30. Remuneration of councillors

Executive Major	913 723	861 461
Mayoral Committee Members	5 722 702	6 473 883
Speaker	745 191	697 195
Chief Whip	685 403	656 413
MPAC	691 722	638 287
Councillors	17 702 755	16 740 394
	26 461 496	26 067 633

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Figures in Rand 2019 2018

30. Remuneration of councillors (continued)

In-kind benefits

The Councillor occupying the position of Mayor of the municipality serve in a full-time capacity. They are provided with office accommodation, tools of trade and secretarial support at the expense of the municipality in order to enable them to perform their official duties.

The Executive Mayor has use of a Council owned vehicle for official duties.

The Executive Mayor make use of a full time body guard/driver.

The Executive Mayor make use of a secretary , personal assistant and and office.

The Speaker make use of Council owned vehicles for official duties.

The Speaker make use of a secretary and office

Remuneration of Executive Mayor

Annual Remuneration	507 760	489 174
Car Allowance	214 868	206 603
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical and Pension Funds	136 843	124 884
Housing Allowance	13 452	-
	913 723	861 461

Remuneration of Members of the Mayoral Committee

Annual Remuneration	3 438 652	3 972 445
Car Allowance	1 349 501	1 546 479
Cellphone Allowance	338 178	398 942
Contributions to UIF, Medical and Pension Funds	571 350	534 814
Other	25 021	21 203
	5 722 702	6 473 883

Remuneration of Speaker

Annual Remuneration	417 133	401 742
Car Allowance	173 360	165 283
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical and Pension Funds	99 934	89 370
Other	13 964	-
	745 191	697 195

Remuneration of Chief Whip

Annual Remuneration	398 289	400 200
Car Allowance	161 151	155 567
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical and Pension Funds	85 163	59 846
	685 403	656 413

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
30. Remuneration of councillors (continued)		
Remuneration of MPAC		
Annual Remuneration	365 783	352 438
Car Allowance	172 116	150 407
Cellphone Allowance	40 800	40 800
Contributions to UIF, Medical and Pension Funds	103 487	94 642
Other	9 536	-
	691 722	638 287
Remuneration of Councillors		
Annual Remuneration	9 885 623	9 362 190
Car Allowance	3 868 111	3 688 042
Cellphone Allowance	2 227 326	2 209 228
Contributions to UIF, Medical and Pension Funds	1 705 169	1 473 474
Other	16 525	7 461
	17 702 754	16 740 395
31. Depreciation and amortisation		
Property, plant and equipment	235 889 605	229 839 048
32. Impairment of assets		
Impairments		
Property, plant and equipment	4 719 257	10 696 583
33. Finance costs		
Finance costs - DBSA loan	-	2 708
Finance costs - Landfill site liability	2 050 094	2 750 299
Finance leases	-	1 114 313
Bank	950	8
Other creditors	1 817 496	1 363 603
	3 868 540	5 230 931
34. Debt impairment		
Contributions to debt impairment provision	276 782 514	225 958 594
35. Repairs and maintenance		
Land and Buildings	4 547 003	13 554 335
Infrastructure - Electricity - Transmission and raticulation network	13 164 526	12 626 241
Infrastructure - Roads and Pavements	2 917 750	12 528 426
Infrastructure - Sanitation and sewer network	5 499 450	9 209 451
Infrastructure - Water reticulation network	22 987 387	12 115 488
Infrastructure - Other	535 683	1 104 177
Community Assets	4 023 706	6 662 750
Other assets - Plant & equipment and motor vehicles	12 445 750	16 618 503
Total repairs and maintenance	66 121 255	84 419 371

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
36. Bulk purchases		
Electricity	477 526 732	447 244 056
Water	23 363 864	17 185 413
	500 890 596	464 429 469

Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Electricity is purchased from Eskom whilst raw water is purchased from the Department of Water and Sanitation.

37. Contracted services

Audit Services	7 774 164	8 718 306
Consulting Services	946 619	3 690 340
Consumer Audit Services	13 281 269	11 009 746
Information systems	5 596 931	7 524 130
Legal Services	8 062 435	12 180 178
Meter Reading	2 620 074	2 143 830
Other contracted Services	3 560 040	10 539 347
Professional Services	65 155	190 615
Refuse Removal	6 186 427	6 169 328
Risk Management	-	3 857 628
Security Services	32 573 046	30 352 704
Town Development	5 849 125	4 974 693
Training Services	2 353 012	2 150 416
Valuation Services	2 081	30 227
	88 870 378	103 531 488

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
38. General expenses		
Advertising	2 290 658	2 138 954
Bank charges	2 010 983	1 603 109
Chemicals	3 729 037	2 787 356
Cleaning	2 469 503	1 809 823
Commission paid	14 035 420	11 910 397
Community development and training	1 065 641	1 621 337
Distribution of community assets	-	17 914 628
Consumables	53 854	96 820
Entertainment	440 000	489 061
Extension services costs	24 706	106 665
Farming	-	34 259
Financial losses	3 629 073	2 041 042
Fuel and oil	4 168 638	504 084
Gifts	-	67 282
IT expenses	5 652 405	5 443 652
Indigent funeral costs	1 041 758	508 905
Indigent grant costs	7 141 339	16 540 850
Insurance	7 467 464	8 587 339
Levies	65 968	216 850
Magazines, books and periodicals	80 828	75 531
Medical expenses	124 661	37 130
Other expenditure	2 136 112	3 315 124
Other expenses	7 237 511	8 888 969
Penalties	1 002 535	344 652
Postage and courier	3 582 915	3 046 086
Printing and stationery	2 854 625	3 788 244
Protective clothing	82 945	6 444
Refuse	898 065	2 714 692
Research and development costs	1 591	2 924
Security (Guarding of municipal property)	12 204	25 502
Sewerage and waste disposal	73 156	933 294
Sitting allowance audit committee	472 992	459 215
Staff welfare	3 983 831	4 925 953
Subscriptions and membership fees	4 929 270	4 177 682
Telephone and fax	27 106	97 882
Telephone system costs	997 202	773 049
Tourism development	264 626	89 914
Travel - local	3 230 857	3 208 085
Travel - overseas	-	46 721
Utilities - refuse costs	94 921	89 548
Vehicle licence and permits fees	1 175 066	1 224 764
Ward committees	8 458 585	8 480 826
Water	1 837 734	1 432 542
	98 845 785	122 607 186

39. Fair value adjustments

Other financial assets		
• Other financial assets	10 330	10 583

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
40. Cash generated from operations		
Deficit	(15 488 502)	(92 979 489)
Adjustments for:		
Depreciation and amortisation	235 889 605	229 839 048
Gain on sale of assets and liabilities	13 952 667	6 233 292
Fair value adjustments	(10 330)	(10 583)
Finance costs - Finance leases	-	1 114 313
Impairment deficit	4 719 257	10 696 583
Debt impairment	276 782 514	225 958 594
Movements in retirement benefit assets and liabilities	(18 405 130)	17 162 606
Movements in provisions	2 050 094	2 750 299
Public contributions and donations	(1 972 712)	(7 359 654)
Changes in working capital:		
Inventories	(2 666 558)	(6 261 462)
Consumer debtors	(294 490 710)	(266 551 547)
Other receivables from non-exchange transactions	(7 903 257)	65 262 414
Payables from exchange transactions	13 259 566	13 486 219
VAT	7 864 779	14 085 556
Taxes and transfers payable (non exchange)	(2 916 057)	2 916 057
Unspent conditional grants and receipts	(15 276 032)	(1 263 484)
	195 389 194	215 078 762

41. Commitments

Authorised capital expenditure

Approved and contracted

• Property, plant and equipment	111 473 606	44 466 504
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This committed expenditure relates to various capital projects and will be financed by available bank facilities, retained surpluses, mortgage facilities, existing cash resources, funds internally generated and grant income received.

JB Marks Local Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
42. Contingencies		
40.1 Court Preceding: The Municipality is exposed to the following court cases:		
Ministry of Water and Sanitation issued summons against the Municipality for the payment of ZAR 9,252,921.15 in unpaid water bills by the Ventersdorp Municipality. The prospects of the Attorney's successfully defending the case are weak.	9 252 921	9 252 921
Ministry of Water and Sanitation issued summons against the Municipality for the payment of ZAR 60,000,000.00 in unpaid water bills by the Ventersdorp Municipality. The Department of Water and Sanitation could not prove their claim hence the likelihood of financial implications to the Municipality is very minimal.	-	-
Lazer communications (Tender 13(93)/2013) - both parties agreed to resolve the matter amicable without costly court proceedings. Financial exposure of the Municipality is ZAR 700,00.00	1 094 253	476 627
MKL Mohlomi vs JB Local municipality for unfair dismissal. There is a possibility that the applicant may be successful in his case and be awarded an amount of ZAR 810,562.00	-	810 562
Oupa Ntsimane vs JB Marks Municipality - the allegations are that the Municipality conducted itself tantamountly to unfair labour issues. Matter was postponed and another date will be set in due course. Matter was finalised in the current financial year in favour of the respondent JB Marks Municipality.	-	300 000
Mr G Dlavane vs JB Marks Municipality - alleged demotion of the applicant and his colleagues due to changes in the organisational structure subsequent to a Merger. A new date for the hearing will be communicated as soon as it has been received by the legal advisors. Case was closed in the current financial year.	-	200 000
Erasmus Mahlomola vs JB Marks Municipality - alleged not being promoted and after changes in the organisational structure subsequent to a Merger as supposed. A new date for the hearing will be communicated as soon as it has been received by the legal advisors. Matter was finalised in the current financial year in favour of the respondent JB Marks Municipality.	-	250 000
Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. Council could have financial exposure should the opposing side be successful with their claim.	3 289 330	3 289 330
Biovision instituted claims against the Municipality for damages due to breach of contract. Initial claim of ZAR 50 000 000.00 judgement against the Council now rescinded. Total contract value only ZAR 5 000 000.00. The matter was settled for R1.8 million out of court.	-	5 000 000
Kabai Eli Tsmele instituted claims against the municipality for motor vehicle collision by a learner driver of amount ZAR 34 406.90. Highly unlikely that the claim will be successful. Matter was withdrawn by the plaintiff.	-	-
GJ Uys // Mrs Dikgake and JB Marks municipality for malicious proceedings/false charges laid against the Plaintiff at the SAPS.	-	78 481

JB Marks Local Municipality

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42. Contingencies (continued)		
Mayana Trading served Summons against the Municipality as a result of damages by a pothole. The R59 road is a provincial road and does not fall under the jurisdiction of the municipality. The chances of successful claim is highly unlikely.	-	-
Potch Moudienste CC - Arrear taxes and leview and issuing of clearance certificates. Settlements negotiations underway and awaiting council's instructions to settle the matter.	-	9 000 000
Batalala Construction CC - to terminate contract due to explosive ordnance device at the construction site. Council owes the contractor ZAR 1 900 019 reduced claim for costs incurred for clearing and screening sight.	-	1 900 019
The municipality is involved in litigation with Janandri Boerdery CC which has a court order against the Municipality for loss of income due to failure of installing a transformer and fruitless payment of water taxes.	-	-
The municipality is involved in litigation with Maria Elizabeth Roodt, emanating from damages and losses to the plaintiff's Breed Cattle, after the Municipality failed to supply Electricity to the applicant.	-	-
The municipality is involved in litigation with Gabriel Ernst Yssel, emanating from damages to the plaintiff's property, after the Municipality established a borrowing pit on the plaintiff's property. Matter settled for R450 000.	-	-
The municipality is involved in litigation with INCA, emanating from two long term loan agreements in terms of which INCA loaned approximately R20 million to the municipality. The municipality repaid approximately R4 million to INCA and then stopped further payments. INCA launched an application based on contractual claims against the municipality for repayment of the loan amounts. INCA instituted an alternative claim based on unlawful enrichment on 27 January 2016 for the repayment of the loan amount. Matter was settled with the Municipality paying R20 million.	-	-
The municipality is involved in litigation with Wesbank, emanating from rental agreements for office equipment which the municipality did not pay in full in terms of the agreement. The municipality is defending these matters based on the invalidity of the rental agreements.	-	-
The municipality is involved in litigation with S. Molisalife who claims loss of housing subsidy income due to an error on a title deed being registered in her name for low cost housing.	-	-
The municipality is involved in litigation with Raborifi Attorneys, emanating from legal fees which the municipality did not pay in full in terms of the agreement. The municipality is defending these matters based on the invalidity of the legal charges.	-	-
T-Square Engineers is claiming an amount of approximately R1,3 million against Ventersdorp Municipality for design and construction management costs. The original tendered amount was approximately R590 000 which has been paid but the supplier claims that a variation order was agreed for the full amount of the claim. Estimated financial exposure should the plaintiff claims be successful.	1 300 000	560 000
JA Labuschagne// JB Marks - Action for damages suffered due to pothole.	-	-
Land claims; The municipality is involved with litigation with CPJ Strydom who has lodged a land claim at the Land Claims court.	-	-

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
42. Contingencies (continued)		
Additional compensation of ZAR 359 100.00 for variation to the Asphalt Thickness Tender 36/VLM/ENG/2011/2012	-	77 700
Morati Mataka ATT. vs JB Marks municipality; Summons issued against the municipality for the amount of R152 500.00 for alleged legal service rendered.	152 500	152 500
CH Stoltz vs JB Marks; Review application of R800 000.00 Labour matter.	300 000	800 000
HT Phelatona vs JB Marks; Application for payment of R3,5 million for services rendered to the municipality. Matter has been finalised.	-	-
Kgomotso Segone vs JB Marks; Employee served a letter of demand to claim R400 000.00 due to emotional distress suffered as a result of harrasment by fellow employees.	400 000	400 000
This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. Plaintiff claimed R34 million from council.	34 000 000	34 000 000
BA MANZI// TLOKWE - Damages resulting from collision between the Plaintiff and an employee of the Municipality.	12 000	-
FUTURE PHAMBILI // JB MARKS - Matter resulting from damages allegedly suffered by the Plaintiff, due to the alledge failute by the Municipality in ordering the monthly quantity of paraffin, as per the signed service level agreement.	63 903 947	-
TSELA TSWEU CONSULTING ENGINEERS // JB MARKS LOCAL MUNICIPALITY - Summons issued for service rendered	456 800	-
NALKO ENGINEERING // JB MARKS / DR KK - Summons issued against the entities for service rendered	5 514 403	-
Maximum Profit recovery// JB marks - Claim of commission for service rendered in respect of VAT recovery services rendered to the Municipality.	363 279	-
Coil Construction//JB Marks - tender1/2015 construction of storm water drain system. Applicant claim to be the successful tenderer instead of the appointed tenderer.	450 000	-
Kgolagano Ya Batho Constructions// JB Marks (218/2019)- Action against the Municipality for services (cleaning of illegal dumping) allegedly rendered.	232 000	-
	120 721 433	66 548 140

Contingent assets

The Municipality was involved in the following transactions or events in the current and prior year involving Contingent Assets:

False and defamatory statements were published in the Herald Newspaper about the former Municipal Manager, the Executive mayor, the speaker and officials on the 21st of February 2018. The matter will be handled at the High Court and the accused was given an opportunity to retract the statements. Financial exposure in favour of the Municipality is minimal to none and the Attorneys will not persue the case further.	-	-
Readira Refuge Services CC instituted action against the Municipality for unpaid balance to a contract at the High Court. The Council might be entitled to an amount for counter claims.	868 675	868 675

JB Marks Local Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
42. Contingencies (continued)		
Program for Community Development and Rythm of the Nation to finalise surface rights owner agreements. PCD has not paid annual rental and has been placed under Business rescue.	-	1 000 000
Potch Moudienste CC - Arrear taxes and leview and issuing of clearance certificates. Settlements negotiations underway and awaiting council's instructions to settle the matter.	-	700 000
The municipality is involved in litigation with INCA. This matter relates to the rental agreements in terms of which an amount of R 4,5 million was paid to INCA. The agreements were concluded contrary to the legal requirements and therefore invalid. New evidence came to light during the current year that indicated that a portion of the municipality's claim expired.	-	2 500 000
This matter relates to the appointment of the service provider, SO Matshidiso Construction, to supply paraffin lamps, stoves and oil. The appointment of the service provider did not comply with the applicable legislation and is therefore void. The amounts paid to the service provider must also be refunded to the municipality, less the reasonable costs incurred by the service provider. R20 million irregular expenditure to be recovered.	20 000 000	20 000 000
This matter relates contravention of municipal by-laws by JD Viljoen, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	-	86 613
This matter relates contravention of municipal by-laws by SP Selani, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	90 000	76 020
This matter relates contravention of municipal by-laws by Shalom Trust, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The trust indicated an intention to oppose the matter.	90 000	76 020
This matter relates contravention of municipal by-laws by MM Saaiman, a rate payer in the Ventersdorp Region. The contravention led to a loss of income for the municipality. The matter is unopposed to date.	-	-
This matter relates to contravention of building regulations at ERF 5475 Tlhaboloho street Ikageng, by erecting an additional brick structure on the stand without approval. Council is investigating matter in order to take transfer of properties from the Vyfhoek Management Board.	140 000	-
Naming rights contract dispute is currently under investigation by council.	-	-
Futile, Irregular and unauthorised expenditure to be recuperated from four Councilors.	2 669 358	1 799 572
Futile, Irregular and unauthorised expenditure to be recuperated from Mabasotho Investment.	6 812 947	-
	30 670 980	27 106 900

JB Marks Local Municipality

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43. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	57 302 252	-	57 302 252
Other receivables from non-exchange transactions	-	17 112 875	17 112 875
Consumer debtors	-	251 298 796	251 298 796
Cash and cash equivalents	-	239 794 548	239 794 548
	57 302 252	508 206 219	565 508 471

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	300 195 609	300 195 609
Payables from non-exchange transactions	14 830	14 830
Consumer Deposits	23 471 205	23 471 205
	323 681 644	323 681 644

2018

Financial assets

	At fair value	At amortised cost	Total
Other financial assets	52 255 221	-	52 255 221
Other receivables from non-exchange transactions	-	9 209 618	9 209 618
Consumer debtors	-	233 590 600	233 590 600
Cash and cash equivalents	-	230 929 696	230 929 696
	52 255 221	473 729 914	525 985 135

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	286 936 043	286 936 043
Payables from non-exchange transactions	2 930 887	2 930 887
Consumer Deposits	22 546 128	22 546 128
Finance lease obligation	5 346 895	5 346 895
Other financial liabilities	23 439 311	23 439 311
	341 199 264	341 199 264

JB Marks Local Municipality

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43. Financial instruments disclosure (continued)

Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash

The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Loan Receivables/Payables

Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values.

Long-term Investments

The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2018, as a result of the short-term maturity of these assets and liabilities.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

Below is an analyses of Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP104. The different levels are based on the extent to which quoted prices are used in the calculation of the Fair Value of the Financial Instruments. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:-

Fair Values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Other financial assets are measured at fair value based on quoted market prices in active markets for identical instruments, these are therefore Level 1.

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44. 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.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

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.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

Ultimate responsibility for liquidity risk management rests with the Council, which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

JB Marks Local Municipality

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44. Risk management (continued)

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.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank and First National Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount,
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

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

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

JB Marks Local Municipality

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44. Risk management (continued)		
Financial instruments	2019	2018
Receivables from non-exchange transactions	17 112 875	9 209 618
Consumer debtors	251 298 796	233 590 600
Cash and Cash equivalents	239 794 548	230 929 696
Other financial liabilities	-	(23 439 311)
Payables from exchange transactions	(300 195 609)	(286 936 043)
Payables from non-exchange transactions	(14 830)	(2 930 887)
Finance lease obligations	-	(5 346 895)
Consumer deposits	(23 471 205)	(22 546 128)
45. Irregular expenditure		
Opening balance (Restated)	1 990 590 175	1 695 026 692
Add: Irregular Expenditure - current year	143 975 085	265 331 261
Add: Deviations not reported to council	38 839 876	30 232 222
	2 173 405 136	1 990 590 175
Details of irregular expenditure – current year		
		-
7 days advert not attached	1 503 342	184 743
Competitive bidding process were not followed	132 907 965	225 711 456
Declaration of interest not attached	2 179 825	162 392
Three quotation not attached	4 637 627	1 396 580
Non Tax Compliant	317 523	951 759
Supplier not registered on Central Supplier Data Base	-	34 288
Invoice and quotation amount not the same	122 841	-
SCM procurement processes not followed	2 305 962	36 890 044
Add: Deviations not reported to council	38 839 876	30 232 222
	182 814 961	295 563 484
46. Fruitless and wasteful expenditure		
Opening balance	74 599 872	70 894 151
Add: Fruitless and wasteful expenditure - current year	2 920 913	3 705 721
Less: Condoned or writtent off by council	-	-
Less: Amounts recoverable (not condoned)	-	-
Less: Amounts not recoverable (not condoned)	-	-
	77 520 785	74 599 872

The following are particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

Interest on late payments - various creditors - R 1 317 363.79 (2018: R1 500 346) - To be submitted to Council.

Penalties on late payments - various creditors - R 1 603 549.54 (2018: R2 205 374) - To be submitted to Council.

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47. Unauthorised expenditure		
Opening balance (Restated)	824 686 591	601 469 776
Office of the Executive Mayor	302 932	-
Office of the Speaker	8 530 871	-
Municipal Manager	-	1 965 294
Budget and Treasury Office	-	218 527 827
Public Safety	-	-
Corporate Services	-	-
Infrastructure	-	-
Department of Environmental Management	-	-
Sports, Arts and Culture	-	-
Human Settlement and Planning	-	-
Economic Development	-	2 723 695
less: Unauthorised expenditure condoned by Council	-	-
less: Unauthorised expenditure transferred to receivables	-	-
	833 520 394	824 686 592

The following are particulars of any criminal or disciplinary steps taken as a consequence of above expenditure.

- Office of the Executive Mayor - R302 932 - To be submitted to Council.
- Office of the Speaker - R8 530 871 - To be submitted to Council.
- Office of the Municipal Manager - 2019 within budget (2018: R1 965 294) - To be submitted to Council.
- Budget and Treasury - 2019 within budget (2018: R218 527 827) - To be submitted to Council.
- Public Safety - within budget.
- Corporate Services - within budget.
- Infrastructure - within budget.
- Department of Environmental Management - within budget.
- Sports, Arts and Culture - within budget.
- Human Settlement and Planning - within budget.
- Economic Development - 2019 within budget (2018: R2 723 695) - To be submitted to Council.

JB Marks Local Municipality

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48. Related parties

Relationships

Ward Councillors by Ward number:

- 1 Maneli KM
- 2 Edwards GG
- 3 Van Onselen A
- 4 Zerwick LJ
- 5 Venter JM
- 6 Monaisa BJ
- 7 Combrink AL
- 8 Mogoemang KEG
- 9 Ofentse BL
- 10 Chaka XG
- 11 Moncho KS
- 12 Modise DP
- 13 Johnson KA
- 14 Makoe ML
- 15 Pienaar PJ
- 16 Malinga AJ
- 17 Ngomezulu KJ
- 18 Kganticoe SJ
- 19 Kgasane MP
- 20 Montsho KL
- 21 Makousa RA
- 22 Britz S
- 23 Esterhuysen JJ
- 24 Adriaanse JM
- 25 Le Roux AA
- 26 Letshabo PT
- 27 Mothopeng MS
- 28 Valipathwa SP
- 29 Katees MM
- 30 Mataboge MM
- 31 Motladiile AS
- 32 Morokeng DM
- 33 Matsapola DM
- 34 Moilwa I

JB Marks Local Municipality

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48. Related parties (continued)

Proportional Councillors:

Clarke VC
Coetzer CJ
De Villers IJ
Du Toit SF
Fransman GML
Kegontse KR
Gwili D
Kham XD
Khumalo KM
Kruger TG
Landsberg JC
Lesomo PZ
Makhunga JG
Mkhabela LM
Mokwena BJ
Moeletsi CL
Mogwata CN
Mokgethi RH
Mokoena LD
Molete P
Moolman HJ
Morulane P
Mosenogi G
Mosiana BJ
Raphulu MP
Steyn P
Thulo SM
Van Onselen WN
Xaba JS
Molapisi LG
Mosounyana MP
Greyling JH
Mosine MC

Accounting Officers

Ralekgetho L - Municipal Manager (Appointed 1 January 2019)

Henry CP - Acting Municipal Manager (1 March 2018 to 31 August 2018)

Jansen M - Acting Municipal Manager (1 October 2018 to 31 December 2018)

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48. Related parties (continued)

Members of key management

Chief Financial Officer: Moeketsane TE

Director: Public Safety: Msibi OS

Acting Director: Public Safety: Grimbeek MD (1 February 2018 to 31 January 2019)

Director: Infrastructure: Zungu BM (1 August 2013 to 30 September 2018)

Acting Director: Infrastructure: VAn Den Berg J (1 November 2018 to date)

Director: Municipal Services: Henry CP

Acting Director: Municipal Services: Modiakgotla EPM (1 February 2019 to 31 August 2019)

Director Corporate Services: Mosepele BMB

Acting Director: Corporate Services: Modise GIM (1 May 2018 to 31 January 2019)

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48. Related parties (continued)

Related party balances and transactions

Councillors and officials with arrangements on consumer accounts

	Arrangements	Total
	-	-
MAKOUSA RA	12 708	13 253

Employees with arrangements

	-	-
CELE SD&CM	201	2 042
KGAMPE MJ	1 056	2 017
KGOSANE NB	531	2 102
LEPEDI SB & RJ	3 438	4 725
LETSHABO NE & SP	519	1 111
MASIKE MSE	2 664	3 430
MONCHO OJ & MM	634	766
MARIBE MD & IA	1 619	2 508
NDLOVU TJ & AO	207	4 332
NEBA MD	27 012	39 737
NONG SG	9 513	38 032
NYATHI DW	4 323	6 286
PETERSEN NJ	12 268	12 769
ROESTORF J	17 872	38 458
STAADSRAAD/MAQASHELA NA	16 697	16 967
STADSRAAD/HARWOOD DB & ME	4 621	28 409
STADSRAAD/KHWAZA MA	306	840
STADSRAAD/MOTSHOANE BA	48 113	55 746
STADSRAAD/POOE MC	15 658	16 307
STADSRAAD/SLAMBERT GD	62 906	65 702
STEYN SGJ	17 001	18 376

JB Marks Local Municipality

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48. Related parties (continued)

Awards made to the spouses of employees

Name of the person	Position	Name of spouse	Supplier name	Expenditure
Wilwisia Veronique Waters	Administration	Phillip Jeremy Waters	Coalition Trading 968	68 500
Kedihentshe Lena Moamogwa	Traffic Department	Tebogo France Moamogwa	Moamogwa Construction	102 918
Mmokwa Lesley Modisetsi	Library: Ikageng	Omphile Rebecca	The curve behind	20 299
Bridgett Sebetlele	Finance: Accountant Cash and Bank	Alex Sebetlele	Sebetlele AP construction and supply	18 000
Smit R	Snr server administrator	Madrileen Alet Schmitz	Schmitz Prokureurs	36 168

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49. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to organised local government		
Current year fee	4 864 114	4 021 872
Amount paid - current year	(4 864 114)	(4 021 872)
	-	-
Audit fees		
Current year fee	7 168 328	10 984 515
Amount paid - current year	(7 168 328)	(10 984 515)
	-	-
PAYE and UIF		
Current year fee	66 590 127	52 242 556
Amount paid - current year	(66 590 127)	(52 242 556)
	-	-
Pension and Medical Aid Deductions		
Current year fee	129 704 160	41 181 254
Amount paid - current year	(129 704 160)	(41 181 254)
	-	-

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50. Prior period errors

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

Statement of financial position

2018

	As previously reported	Correction of errors	Restated
Receivables from exchange transactions	127 420 724	(118 211 107)	9 209 617
VAT	17 587 701	6 052 615	23 640 315
Consumer debtors	304 360 349	(70 769 752)	233 590 597
Cash and cash equivalents	246 646 389	(15 716 694)	230 929 696
Property, plant and equipment	3 928 342 387	5 569 865	3 933 912 252
Heritage assets	62 836 135	287 001	63 123 137
Other financial liabilities	-	(23 439 311)	(23 439 311)
Payables from exchange transactions	(301 316 752)	14 380 708	(286 936 044)
Payables from non-exchange transactions	(14 830)	(2 916 057)	(2 930 887)
Consumer deposits	(21 939 160)	(606 969)	(22 546 129)
Accumulated Surplus	(4 298 757 858)	64 474 344	(4 234 283 515)
	65 165 085	(140 895 357)	(75 730 272)

Statement of financial performance

2018

	As previously reported	Correction of errors	Restated
Service charges	(999 544 006)	107 982 110	(891 561 896)
Rental of facilities	(3 785 561)	(2 951 626)	(6 737 187)
Miscellaneous other revenue	(27 712 854)	(1 470 565)	(29 183 419)
Interest received	(54 537 329)	(210 052)	(54 747 381)
Property rates	(167 226 614)	2 852 537	(164 374 077)
Fines, penalties and forfeits	(76 865 164)	(7 801 865)	(84 667 029)
Depreciation	229 030 090	808 958	229 839 048
Impairment loss	6 671 054	4 025 529	10 696 583
Finance costs	4 802 657	428 275	5 230 932
Debt impairment	86 014 983	139 943 611	225 958 594
Repairs and Maintenance	80 125 593	4 293 751	84 419 344
Bulk purchases	483 993 725	(19 564 257)	464 429 469
Contracted services	98 571 099	4 960 389	103 531 488
General expenses	215 008 624	(92 401 436)	122 607 187
	(125 453 703)	140 895 359	15 441 656

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50. Prior period errors (continued)

The correction of the error(s) results in adjustments as follows:

1. Debt impairment was understated by R56 901 853.63 due to incorrect application of the impairment policy for traffic fines older than 2 years for the 2017/18 financial period. For the years 2016/17 going back, debt impairment of traffic fines was aggregately understated by 49 599 878.91 thereby overstating accumulated surplus with the same amount. Correspondingly Receivables from non-exchange transactions were overstated by R106 501 732.54.

2. The debt impairment policy for Consumer debtors was revised to incorporate 100% impairment of certain debtor categories owing 150 days plus. The new calculation resulted in debt Impairment being understated in the 2017/18 financial year by R61 507 981, with Accumulated Surplus overstated by R11 704 146 for the previous financial years. Consequently Consumer debtors were overstated by an aggregate of R73 212 127.11

3. Bulk purchases was overstated by R19 564 256.51 in the 2017/18 financial year, while VAT receivable and Finance costs were understated by R 5 336 294.36 and R 399 565.21 respectively. Consequently, Accumulated surplus was overstated by R 4 763 586.16 through bulk purchases for 2016/17. Collectively Payables from exchange transactions were overstated by a net R9 064 810.78. This was due to incorrect invoices received from the supplier being used during the preparation of the 2017/18 accounting records.

4. Interest and Penalties were understated in the previous financial year as amounts of R28 709.54 and 344 652.39 respectively, charged by SARS for late payment of May 2018 VAT were not accounted for, VAT receivable was correspondingly overstated by R 373 361.93.

5. In 2017/18, Impairment loss was understated by R4 025 528.99 which resulted from the Sarafina Sports stadium not being assessed completely for all indicators of impairment. Consequently Property, Plant and Equipment was overstated with the same amount.

6. Debt Impairment was understated in 2017/18 as the Ikageng/Promosa (B.06020002) and the 100 House Scheme Ikaheng Ext 3 (B.9609001) & (B.6020003) receivables were not impaired by R19 682 458.66. Correspondingly Receivables from non-exchange transactions were overstated with the same amount.

7. In the 2017/18 financial year, traffic fines struck-off the roll were incorrectly omitted as part of revenue resulting in overstatement of both Fines revenue and Receivables from non-exchange transactions by R633 900..

8. Cash and cash equivalents - Outstanding deposits suspense account with an amount of R90 114 was not subsequently cleared from cash and cash equivalents to general expenses in the 2017/18 financial year. Cash and cash equivalents were therefore overstated with General expenses understated correspondingly.

Cash and Cash equivalents re-issue of cheques suspense account with a balance of R6 388 946.67 was not cleared into the main bank account in the previous financial year.

9. An allocation on the RBIG grant of R2 916 057 received in the 2017/18 financial year but relating to the 2018/19 financial year was incorrectly classified as Payables from exchange transactions instead of Payables non-exchange transactions. Payables from exchange transactions were therefore overstated with Payables from non-exchange transactions understated.

10. Engineering services contributions recorded in Payables from exchange transactions of R1 439 830.20 were not subsequently reclassified to Miscellaneous Other Revenue for the 2017/18 financial year and R14 615 400.23 for the preceding financial years respectively not reclassified through Accumulated Surplus. Payables from exchange transactions were therefore overstated with the aggregate amount of R16 055 230.43 whilst Miscellaneous other revenue and Accumulated surplus were understated with the respective amounts stated earlier above.

11. Consumer deposits received of R606 969 were incorrectly classified under Payables from exchange transactions in the previous financial year, thereby overstating Payables from exchange transactions and correspondingly understating Consumer deposits.

12. Inter-departmental charges of R 57 075 799.58 levied internally within the Municipality's departments were classified incorrectly under general expenses in 2017/18 instead of a net-off to Service charges. General expenses and Service charges were therefore overstated.

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50. Prior period errors (continued)

13. Indigent grant costs of R 33 161 417.85 for free service charges provided to indigent debtors were classified incorrectly under general expenses in 2017/18 instead of a net-off to Service charges of Water, Sewerage and Refuse removal. General expenses and Service charges were therefore overstated.
14. Indigent grant costs of R 1 311 540.10 for free service charges provided to indigent debtors were incorrectly recorded as part of Repairs and Maintenance in 2017/18 instead of a net-off to Service charges Electricity. Repairs and Maintenance and Service charges were therefore overstated
15. Indigent grant costs of R 2 852 536.62 for free service charges provided to indigent debtors were classified incorrectly under general expenses in 2017/18 instead of a net-off to Property rates. General expenses and Property rates were therefore overstated.
16. In the 2017/18 financial year, certain supplier invoices were not accrued/provided for as they were received late resulting in the following:
- : VAT receivable was understated by R1 267 616.66
 - : Payables from exchange transactions were understated by R10 069 872.72
 - : Accumulated Surplus was overstated by R29 250
 - : Repairs and Maintenance were understated by R3 659 065.60
 - : Contracted Services were understated by R4 860 389.22
 - : General Expenses were understated by R253 551.24
17. Other financial liabilities were understated by R23 439 311.30 and Accumulated Surplus overstated respectively in the previous financial years. An INCA loan had been incorrectly written off from the accounting records of former Municipality Ventersdorp in the 2013/14 financial year due to a court judgement in favour of the Municipality arising from a dispute on the calculation of interest and repayments.
18. Electricity service charges were overstated in the 2017/18 financial year by R2 743 975 as the year-end prepaid electricity estimation Journal was incorrectly posted. Payables from exchange transaction were therefore understated by the same amount.
19. Rental of facilities and Miscellaneous other revenue were understated in the 2017/18 financial year by R871 626.28 and R30 735 respectively due to uncleared suspense accounts sitting in Payable from exchange transactions, which consequently were overstated by the aggregate of R892 705.51. Consequently Accumulated Surplus was understated by R2 735.96 with Receivables from exchange transactions understated by R12 391.73
20. VAT receivables were overstated by 1 392.76 whilst cash and cash equivalents were understated by the same amount as cheque receipts were incorrectly split into a VAT portion and a cash receipt portion exclusive of VAT. Cashbook receipts and payments are recorded inclusive of VAT. Cash and Cash equivalents cheque account with a balance of R11 007.62 was not cleared into the main bank account in the previous financial year.
21. Other debtors with amount of R54 927.33 were incorrectly classified in Receivables from non-exchange transactions in the previous financial year, thereby overstating Receivables from non-exchange transactions and correspondingly understating consumer debtors.
22. Electricity service charges were overstated by R13 689 377 and Consumer debtors were understated by R1 938 595.36 due to indigent token rebates recorded incorrectly via the cashbook. Cash and cash equivalents were therefore overstated by an aggregate of R15 627 972.36
23. During the previous financial year, Consumer debtors were understated by R1 108 771.89, receivables from non-exchange understated by R213 754.84, VAT receivable was overstated by R323 871.89, Rental of facilities was understated by R2 080 000, Interest received was understated R210 052.44, Contracted services was understated by R100 000 and debt impairment was understated by R1 191 397.60. This related to mining rights revenue for the programme for community development of Eleazer farm not recorded in the previous financial year thereby the corresponding receivables and impairment of receivables also not recorded.
24. Traffic fines revenue were incompletely recorded in the previous financial year, resulting in understatement of Fines, Penalties and Forfeits by R8 435 765 with Receivables from-exchange transactions understated correspondingly.
25. During the financial year management received additional information pertaining to the Work in Progress amount

JB Marks Local Municipality

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50. Prior period errors (continued)

disclosed in the previous financial years. Management revisited the full population. The above was corrected retrospectively and resulted in the following;

- : Increase in Property, Plant and Equipment by R247 660
- : Increase in VAT receivable by R147 330
- : Increase in Payables from exchange transactions by R2 341 216
- : Increase in Repairs and Maintenance by R1 946 226

26. During the financial year management discovered Gains under PPE during the verification process in 2019. This was corrected retrospectively and resulted in the following;

- : Increase Accumulated Surplus by R10 443 692
- : Increase in Property, Plant and Equipment by R9 347 733
- : Increase in Heritage Assets by R287 001
- : Increase in Depreciation by R808 958

27. Depreciation expense was incorrectly bundled into one expenditure vote in the 2017/18 financial year. Depreciation was un-bundled into different votes based on different municipal functions.

27. Fruitless and Wasteful expenditure

- Fruitless and Wasteful expenditure disclosed for 2017/18 was understated as interest of R28 709.54 charged by SARS for May 2018 VAT late payment were not included. .
- Fruitless and Wasteful expenditure disclosed for 2017/18 was understated by R399 565.21 due to above prior period errors on Interest charged by Eskom.
- Other arithmetic errors were adjusted on the fruitless and wasteful expenditure calculation used to compute the 2017/18 disclosure note.
- In aggregate Fruitless and Wasteful expenditure was understated by R52 916.52 due to the above mentioned errors.

28. Unauthorised expenditure

- The Unauthorised expenditure disclosure note for 2017/18 omitted the opening balance for unauthorised expenditure for the previous years. The opening balance for 2017/18 Unauthorised expenditure was therefore understated by R601 469 776.
- The unauthorised expenditure incurred in the 2017/18 financial year changed from R168 570 106 as previously reported to R223 216 815 due to change in the actual expenditure due to prior period adjustments identified above.
- The calculation of unauthorised expenditure was amended in the current year to being based on the 11 votes as identified on the Budget 2 Schedule whereas the calculation was previously based on municipal functions in the previous financial years.

29. Irregular expenditure

- Irregular expenditure for 2017/18 was understated by amounts of R392 625 450 for former Tlokwe Municipality and R115 177 949 for former Ventersdorp Municipality as the opening Irregular expenditure for 2014/15 financial period for both former Municipalities were omitted.
- Irregular expenditure (irregular expenditure and deviations not submitted to council) was overstated by R9 810 361.20 in the 2017/18 financial year as the registers included items which didn't meet the definition of Irregular expenditure.

30. Contingent liabilities were overstated in the 2017/18 financial year as an going case between former Ventersdorp Municipality and INCA was incorrectly included in contingent liabilities. The loan had been incorrectly removed from the accounting records in 2013/14 financial year due to a court judgement in favour of the Municipality arising from a dispute on the calculation of interest and repayments. INCA instituted an alternative claim based on unlawful enrichment on 27 January 2016 for the repayment of the loan amount and a judgement was received in June 2019 for the Municipality to settle R20 million.

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50. Prior period errors (continued)		
Effect of errors on the Accumulated Surplus		
Decrease in Accumulated Surplus due to error 1	-	49 599 879
Decrease in Accumulated Surplus due to error 2	-	11 704 146
Decrease in Accumulated Surplus due to error 3	-	4 763 586
Decrease in Accumulated Surplus due to error 16	-	29 250
Decrease in Accumulated Surplus due to error 17	-	23 439 311
Increase in Accumulated Surplus due to error 10	-	(14 615 400)
Increase in Accumulated Surplus due to error 19	-	(2 736)
Increase in Accumulated Surplus due to error 26	-	(10 443 692)
(Increase) / Decrease in Accumulated Surplus	-	64 474 344
Effect of errors on Statement of financial position		
Decrease in Receivables from non-exchange transactions due to error 1	-	(106 501 733)
Decrease in Receivables from non-exchange transactions due to error 6	-	(19 682 459)
Decrease in Receivables from non-exchange transactions due to error 7	-	(633 900)
Increase in Receivables from non-exchange transactions due to error 19	-	12 392
Decrease in Receivables from non-exchange transactions due to error 21	-	(54 927)
Increase in Receivables from non-exchange transactions due to error 23	-	213 755
Increase in Receivables from non-exchange transactions due to error 24	-	8 435 765
	-	-
Increase in VAT receivable due to error 3	-	5 336 294
Decrease in VAT receivable due to error 4	-	(373 362)
Increase in VAT receivable due to error 16	-	1 267 617
Decrease in VAT receivable due to error 20	-	(1 393)
Decrease in VAT receivable due to error 23	-	(323 872)
Increase in VAT receivable due to error 25	-	147 330
	-	-
Decrease in Consumer debtors due to error 2	-	(73 872 047)
Increase in Consumer debtors due to error 21	-	54 927
Increase in Consumer debtors due to error 22	-	1 938 595
Increase in Consumer debtors due to error 23	-	1 108 772
	-	-
Decrease in Cash and cash equivalents due to error 8	-	(90 114)
Increase in Cash and cash equivalents due to error 20	-	1 393
Decrease in Cash and cash equivalents due to error 22	-	(15 627 972)
	-	-
Decrease in Property, plant and equipment due to error 5	-	(4 025 529)
Increase in Property, plant and equipment due to error 25	-	247 660
Increase in Property, plant and equipment due to error 26	-	9 347 733
	-	-
Increase in Heritage assets due to error 26	-	287 001
Increase in Other financial liabilities due to error 17	-	(23 439 311)
	-	-
Decrease in Payables from exchange transactions due to error 3	-	9 064 811
Decrease in Payables from exchange transactions due to error 9	-	2 916 057
Decrease in Payables from exchange transactions due to error 10	-	16 055 230
Decrease in Payables from exchange transactions due to error 11	-	606 969
Increase in Payables from exchange transactions due to error 16	-	(10 069 873)
Increase in Payables from exchange transactions due to error 18	-	(2 743 975)
Decrease in Payables from exchange transactions due to error 19	-	892 706
Increase in Payables from exchange transactions due to error 25	-	(2 341 216)
	-	-
Increase in Payables from non-exchange transactions due to error 9	-	(2 916 057)
	-	-
Increase in Consumer deposits due to error 11	-	(606 969)
	-	(205 369 702)

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50. Prior period errors (continued)		
Effects of errors on Statement of financial performance		
Decrease in Service charges due to error 12	-	57 075 800
Decrease in Service charges due to error 13	-	33 161 418
Decrease in Service charges due to error 14	-	1 311 540
Decrease in Service charges due to error 18	-	2 743 975
Decrease in Service charges due to error 22	-	13 689 377
	-	-
Increase in Rental of facilities due to error 19	-	(871 626)
Increase in Rental of facilities due to error 23	-	(2 080 000)
	-	-
Increase in Miscellaneous other revenue due to error 10	-	(1 439 830)
Increase in Miscellaneous other revenue due to error 19	-	(30 735)
	-	-
Increase in Interest received due to error 23	-	(210 052)
	-	-
Decrease in Property rates due to error 15	-	2 852 537
	-	-
Decrease in Fines, penalties and forfeits revenue due to error 7	-	633 900
Increase in Fines, penalties and forfeits revenue due to error 24	-	(8 435 765)
Increase in Depreciation due to error 26	-	808 958
Increase in Impairment loss due to error 5	-	4 025 529
	-	-
Increase in Finance costs due to error 3	-	399 565
Increase in Finance costs due to error 4	-	28 710
	-	-
Increase in Debt impairment due to error 1	-	56 901 854
Increase in Debt impairment due to error 2	-	62 167 901
Increase in Debt impairment due to error 6	-	19 682 459
Increase in Debt impairment due to error 23	-	1 191 398
	-	-
Decrease in Repairs and maintenance due to error 14	-	(1 311 540)
Increase in Repairs and maintenance due to error 16	-	3 659 066
Increase in Repairs and maintenance due to error 25	-	1 946 226
	-	-
Decrease in Bulk purchases due to error 3	-	(19 564 257)
	-	-
Increase in Contracted services due to error 16	-	4 860 389
Increase in Contracted services due to error 23	-	100 000
	-	-
Increase in General expenses due to error 4	-	344 652
Increase in General expenses due to error 8	-	90 114
Decrease in General expenses due to error 12	-	(57 075 800)
Decrease in General expenses due to error 13	-	(33 161 418)
Decrease in General expenses due to error 15	-	(2 852 537)
Increase in General expenses due to error 16	-	253 551
	-	140 895 359

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51. Distribution losses		
Electricity Distribution		
System Input Volume: Electricity Units (kWh) purchased	507 340 577	509 994 587
Billed Consumption: Electricity Units (kWh) sold	(462 720 878)	(469 217 847)
	44 619 699	40 776 740
Percentage loss	8.79%	8.00%

Electricity loss for the financial year was 8.79%. The Rand value of the electricity loss for the financial year was R 42 003 931 (2018: R 37 323 771).

Electricity Losses occur due to inter alia , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

Water Distribution

System Input Volume: Water Units (kL) purchased	28 965 803	29 907 933
Billed Consumption: Water Units (kL) sold	(20 975 258)	(21 151 204)
	7 990 545	8 756 729
Percentage loss	27.59%	29.28%

Water losses for the financial year was 27.59%. The estimated Rand value of the water losses for the financial year was R 4 714 421 (2018 R 5 185 072).

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

52. Change in estimate

Property, plant and equipment

The residual values, estimated useful lives were reviewed at 30 June 2019. Adjustments to the residual values and useful lives affect the amount of provision for the current year and is expected to affect future periods as well. The adjustments are as follows:

Increase / (Decrease) in Depreciation due to adjustments to Useful Lives of Property, Plant and Equipment: R(80 401)

Depreciation as previously stated: R(90 465)
Adjustment due to Change in accounting estimate: R10 064

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53. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 4 125 815 522 and that the municipality's total assets exceed its liabilities by R 4 125 815 522.

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.

Management considered the following matters relating to the Going Concern:

- Good financial indicators for liquidity
- Deficit incurred in the current year, but sufficient accumulated surpluses are still available
- Sufficient cash resources to pay creditors as they fall due
- Challenges in collecting outstanding debts

Management however considered the following matters relating to the Going Concern:

(i) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(ii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly and quarterly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iii) As the municipality has the power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

(iii) The municipality is funded by grant income to date the 1st trench of Equitable Share was received subsequent to year end.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

54. Events after the reporting date

No events having financial implications requiring disclosure occurred subsequent to 30 June 2019.

55. Comparative figures

Where necessary, comparative figures have been restated for prior period error adjustments and /or reclassified to conform to changes in presentation in the current year.

The comparative figures of 2017/18 cover a full 12 month financial period..

56. In-kind donations and assistance

The municipality did not receive any In-kind Donations and Assistance during the year under review.