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Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	District Municipality
Mayoral committee	
Executive Mayor	ABE Mosiane
Speaker	DP Masui
Chief Whip	NM Koloti
Chairperson MPAC	NG Adoons - Till 16 May 2019
	GA Mohoemng - From 01 June 2019
Mayoral Committee	MM Mohaji (Corporate Services and Administration)
	ZE Mphafudi (Sport, Arts and Culture)
	SP Valiphathwa (Public Works and Transport)
	M Zephe (Financial Services)
	MI Martins (Health and Social Services & Disaster Risk Management)
	HN Mbele (District Economic Development)
Part-Time Councillors	CJ Coetzer IM Groenewald EM Postma D Gwili B Tsabedze HF Saudi LM Lebenuya - Kortjaas LL Cutswa SL Moremi SL Mondlane K Ndincede JJ Le Grange CJ Bester ME Mosweu AS Motladile PZ Lesomo G Mosenogi P Morulane SF Du Toit LS Mokgalagadi GA Mohoemang MN Ntuli AOP Phutiyagae
Directly Elected Councillors	KL van Zyl LS Motlhoiwa BAS Campbell-Cloete WA Mostert LN Dayiya SV Letshwiti FJ Botha
Accounting Officer	SM Lesupi (Municipal Manager)
Chief Finance Officer (CFO)	T Ngqobe - Acting till 30 June 2019
	L Steenkap - Appointed 1 July 2019
Registered office	Civic Centre
	Patmore Road
	Orkney
	2620
Business address	Civic Centre
	Patmore Road
	Orkney

General Information

	2620
Postal address	Private Bag X5017 Klerksdorp 2570
Bankers	ABSA
Auditors	Auditor General of South Africa

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

GRAP	Generally Recognised accounting Practise
MFMA	Municipal Finance Management Act

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 judgments and estimates.

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

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The annual financial statements set out on page 5, 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
SM Lesupi

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in providing municipal services.

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

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 30 070 442 and that the municipality's total assets exceed its libilities by R 30 070 442.

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 Municipality is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

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

5. 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.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The Accounting Officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

6. Interest in controlled entities

Name of controlled entity	Shareholding
Dr Kenneth Kaunda District Economic Development Agency	100%

Details of the municipality's investment in controlled entities are set out in note 5.

7. Auditors

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

The annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2019 and were signed on its behalf by:

Accounting Officer
SM Lesupi

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Receivables from exchange transactions	8	572 812	822 282
Receivables from non-exchange transactions	9	339 794	1 046 521
VAT receivable	10	5 976 289	5 986 382
Cash and cash equivalents	11	36 030 601	9 761 418
		42 919 496	**17 616 603**
Non-Current Assets			
Property, plant and equipment	3	24 823 739	30 170 578
Intangible assets	4	649 458	1 553 791
Investments in controlled entities	5	120	120
		25 473 317	**31 724 489**
Total Assets		**68 392 813**	**49 341 092**
Liabilities			
Current Liabilities			
Finance lease obligation	13	-	48 180
Operating lease liability		153 600	148 800
Payables from exchange transactions	15	20 732 871	22 583 564
Payables from non exchange transactions	16	1 032 816	856 212
Post retirement medical aid liability	7	263 019	243 737
Unspent conditional grants and receipts	14	1 163 577	1 020 892
Long service awards liability		509 750	423 446
Bank overdraft	11	-	-
		23 855 633	**25 324 831**
Non-Current Liabilities			
Post retirement medical aid liability	7	11 550 602	11 046 317
Long service awards liability		2 916 136	3 003 502
		14 466 738	**14 049 819**
Total Liabilities		**38 322 371**	**39 374 650**
Net Assets		**30 070 442**	**9 966 442**
Accumulated surplus		30 070 442	8 687 942

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Sale of tender documents		44 920	29 590
Commissions received		11 679	10 590
Licensing and permits		395 518	313 490
Interest received - investment	17	3 595 948	2 771 556
Dividends received	17	-	2 250
Total revenue from exchange transactions		**4 048 065**	**3 127 476**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	19	185 178 514	179 654 322
In kind benefits received		-	117 480
Other transfer income		-	195 319
Total revenue from non-exchange transactions		**185 178 514**	**179 967 121**
Total revenue		**189 226 579**	**183 094 597**
Expenditure			
Employee related costs	20	(90 647 860)	(87 581 740)
Remuneration of councillors	21	(9 850 183)	(9 620 365)
Depreciation and amortisation	22	(7 760 118)	(8 907 712)
Finance costs	23	-	(848 701)
Debt Impairment	24	-	(121 331)
Contracted services	25	(33 201 471)	(43 519 475)
Transfers and Subsidies	18	(5 178 050)	(5 379 990)
General Expenses	26	(24 138 839)	(29 411 603)
Total expenditure		**(170 776 521)**	**(185 390 917)**
Operating surplus (deficit)		**18 450 058**	**(2 296 320)**
Gain on disposal of assets		7 683	510 275
Actuarial gains/losses	7	1 196 003	769 420
Gains (Loss) on write-off of assets		(959 539)	(1 433 771)
		244 147	**(154 076)**
Surplus (deficit) for the year		**18 694 205**	**(2 450 396)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	12 505 408	12 505 408
Adjustments		
Correction of errors	(1 676 738)	(1 676 738)
Balance at 01 July 2017 as restated*	**10 828 670**	**10 828 670**
Changes in net assets		
Correction of errors	(1 278 503)	(1 278 503)
Net income (losses) recognised directly in net assets	(1 278 503)	(1 278 503)
Surplus for the year	(2 450 396)	(2 450 396)
Total recognised income and expenses for the year	(3 728 899)	(3 728 899)
Correction of errors	1 588 171	1 588 171
Total changes	(2 140 728)	(2 140 728)
Balance at 01 July 2018	**9 966 445**	**9 966 445**
Changes in net assets		
Surplus for the year	19 609 076	19 609 076
Correction of errors	494 921	494 921
Total changes	20 103 997	20 103 997
Balance at 30 June 2019	**30 070 442**	**30 070 442**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Governmnet Grants and Subsidies		185 290 145	178 821 258
Interest income		3 595 948	2 771 556
Dividends received		-	2 250
Cash receipts form charges for goods and services		452 117	369 331
		189 338 210	181 964 395
Payments			
Employee costs		(90 647 860)	(86 616 609)
Suppliers		(26 963 473)	(39 744 247)
Cash payments to suppliers for goods and contracted services		(34 257 279)	(43 328 331)
Remuneration of Councillors		(9 850 183)	(9 620 365)
		(161 718 795)	(179 309 552)
Net cash flows from operating activities	29	**27 619 415**	**2 654 843**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(3 228 788)	(5 846 238)
Proceeds from sale of property, plant and equipment	3	1 023 184	668 738
Purchase of other intangible assets	4	(61 566)	(816 521)
Proceeds from sale of financial assets		-	77 274
Other cash item		1 216 164	-
Net cash flows from investing activities		**(1 051 006)**	**(5 916 747)**
Cash flows from financing activities			
Movement in long service awards liability		201 077	-
Finance lease payments		(48 180)	(721 824)
Net cash flows from financing activities		**152 897**	**(721 824)**
Net increase/(decrease) in cash and cash equivalents		**26 269 189**	**(3 983 728)**
Cash and cash equivalents at the beginning of the year		9 761 418	13 745 146
Cash and cash equivalents at the end of the year	11	**36 030 607**	**9 761 418**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of tender documents	-	-	**-**	44 920	**44 920**	
Commissions received	-	-	**-**	11 679	**11 679**	
Licensing and permits	108 000	-	**108 000**	395 518	**287 518**	
Interest received - investment	2 380 000	-	**2 380 000**	3 595 948	**1 215 948**	
Total revenue from exchange transactions	**2 488 000**	**-**	**2 488 000**	**4 048 065**	**1 560 065**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	184 644 000	-	**184 644 000**	185 178 514	**534 514**	
Total revenue	**187 132 000**	**-**	**187 132 000**	**189 226 579**	**2 094 579**	
Expenditure						
Employee related costs	(98 519 010)	-	**(98 519 010)**	(90 647 860)	**7 871 150**	
Remuneration of councillors	(9 372 056)	-	**(9 372 056)**	(9 850 183)	**(478 127)**	
Depreciation and amortisation	(5 013 473)	-	**(5 013 473)**	(7 760 118)	**(2 746 645)**	
Other materials	(3 429 000)	-	**(3 429 000)**	-	**3 429 000**	
Contracted Services	(35 663 799)	-	**(35 663 799)**	(33 201 471)	**2 462 328**	
Transfers and Subsidies	(5 751 000)	-	**(5 751 000)**	(5 178 050)	**572 950**	
General Expenses	(29 894 794)	-	**(29 894 794)**	(24 138 839)	**5 755 955**	
Total expenditure	**(187 643 132)**	**-**	**(187 643 132)**	**(170 776 521)**	**16 866 611**	
Operating surplus	**(511 132)**	**-**	**(511 132)**	**18 450 058**	**18 961 190**	
Gain on disposal of assets	-	-	**-**	7 683	**7 683**	
Actuarial gains/losses	-	-	**-**	1 196 003	**1 196 003**	
Gains (Loss) on write-off of assets	(20 000)	-	**(20 000)**	(959 539)	**(939 539)**	
	(20 000)	**-**	**(20 000)**	**244 147**	**264 147**	
Surplus before taxation	**(531 132)**	**-**	**(531 132)**	**18 694 205**	**19 225 337**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(531 132)**	**-**	**(531 132)**	**18 694 205**	**19 225 337**	
Reconciliation						

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These annual financial statements are 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 Consolidation

Basis of consolidation

Consolidated annual financial statements are the annual financial statements of the municipality presented as those of a single entity.

The consolidated annual financial statements incorporate the annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's annual financial statements at the acquisition date.

The annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional annual financial statements as of the same date as the annual financial statements of the controlling entity unless it is impracticable to do so. When the annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity's annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty

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

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

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

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

Fair value estimation

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

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

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

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

Impairment testing

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

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

Provisions

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

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

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

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 7.

Effective interest rate

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

Allowance for doubtful debts

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

1.5 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	no depreciation
Buildings	Straight line	25 years
Car Parks	Straight line	30 years
Car ports	Straight line	10 years
Furniture and Office Equipment	Straight line	3 - 5 years
Air conditioners	Straight line	10 years
- Motor Cars	Straight line	at least 4 years
- Light Commercial Vehicles	Straight line	5 years
- Buses	Straight line	8 years
Office Equipment	Straight line	3 -5 years
- Computer Hardware	Straight line	3 - 5 years
- CCTV Cameras	Straight line	5 years
- Other Emergency Equipment	Straight line	3 - 5 years
- Telecomm Equipment - WiFi Assets	Straight line	5 years
- Other Property , Plant and Equipment	Straight line	2 - 5 years
- Mobile Offices	Straight line	10 years
- Motor Vehicles	Straight line	at least 4 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 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.

1.5 Property, plant and equipment (continued)

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

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

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

1.6 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.

Accounting Policies

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3 - 5 years

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

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

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

1.7 Investments in controlled entities

In the municipality's separate annual financial statements, investments in investments in controlled entities are carried .

The municipality applies the same accounting for each category of investment.

The municipality recognises a dividend or similar distribution in surplus or deficit in its separate annual financial statements when its right to receive the dividend or similar distribution is established.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate annual financial statements.

1.8 Financial instruments

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

Accounting Policies

1.8 Financial instruments (continued)

Classification

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

Class	Category
Other financial Assets	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non - exchange transactions	Financial asset measured at amortised cost
Investments in controlled entities	Financial asset measured at cost

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

Class	Category
Other financial liabilities	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Operating lease obligations	Financial liability measured at amortised cost
Unspent Conditional Grants	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Bank overdraft	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

1.8 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.8 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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.

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

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.

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 entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

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

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

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

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

1.9 Leases

Lease Classification: 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.

The Municipality as lessee

Finance leases: Where the Municipality enters into a finance lease, Property, plant and equipment or Intangible

Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

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

Determining whether an arrangement contains a lease

At inception of an arrangement, the Municipality determines whether such an arrangement is or contains a lease.

A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Municipality the right to control the use of the underlying asset. At inception or upon reassessment of the arrangement, the Municipality separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Municipality's incremental borrowing rate.

Operating leases- lessee

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

1.10 Impairment of cash-generating assets

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

[Specify judgements made]

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

1.10 Impairment of cash-generating assets (continued)

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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

[Specify judgements made]

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 Employee benefits

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

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

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

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

- an 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.

Accounting Policies

1.12 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:
- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidized 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 recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

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

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

Accounting Policies

1.12 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 recognises the contribution payable to a defined contribution plan in exchange for that service:

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

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.

1.12 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. 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), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

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. 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 recognises 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 recognises 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;

1.12 Employee benefits (continued)

- 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 measures 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 determines 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.

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-measure 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.

1.12 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.

1.13 Provisions and contingencies

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

Provisions for environmental restoration, rehabilitation, restructuring costs and legal claims are recognised when the municipality has a present legal or constructive obligation as a result of past events, 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 best estimate of the expenditure required to settle the present obligation is the amount that an entity would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the entity, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances, Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it - this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31.

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15 Revenue from exchange transactions

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

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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.

1.15 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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

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.

1.16 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

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.

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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 programme 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 re-imbursement 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.

1.17 Investment income

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

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.20 Fruitless and wasteful expenditure

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

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

Accounting Policies

1.21 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.

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.

1.22 Budget information

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

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

The approved budget is prepared on a 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.

1.23 Related parties

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

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

1.23 Related parties (continued)

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

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

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

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

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

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

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

1.24 Value Added Tax

The Municipality is registered with SARS for VAT on the payment basis, in accordance with Section 15 (2)(a) of the Value-added tax Act no 89 of 1991

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Not yet set	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	Not yet set	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand

3. 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	-	-	-	1 278 500	-	1 278 500
Buildings	6 259 003	(2 657 405)	3 601 598	4 980 502	(2 146 900)	2 833 602
Plant and machinery	4 476 594	(3 289 659)	1 186 935	131 307	(2 739 556)	(2 608 249)
Furniture and fixtures	6 602 089	(4 657 371)	1 944 718	8 627 201	(4 097 899)	4 529 302
Motor vehicles	7 998 242	(2 568 189)	5 430 053	9 852 648	(4 137 151)	5 715 497
IT equipment	3 624 580	(2 416 926)	1 207 654	3 198 675	(2 168 475)	1 030 200
Infrastructure	21 556 379	(11 326 186)	10 230 193	21 848 899	(7 461 794)	14 387 105
Community	-	(246 325)	(246 325)	19 814	(510 512)	(490 698)
Other property, plant and equipment	1 468 913	-	1 468 913	3 495 319	-	3 495 319
Total	**51 985 800**	**(27 162 061)**	**24 823 739**	**53 432 865**	**(23 262 287)**	**30 170 578**

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers- Mscoa Classification	Depreciation	Total
Land	1 278 500	-	-	(1 278 500)	-	-
Buildings	2 833 602	767 996	-	-	-	3 601 598
Plant and machinery	(2 608 249)	-	(3 854)	4 374 882	(575 844)	1 186 935
Furniture and fixtures	4 529 302	403 031	(52 174)	(2 103 663)	(831 778)	1 944 718
Motor vehicles	5 715 497	1 287 989	(913 728)	(83 262)	(576 443)	5 430 053
IT equipment	1 030 200	504 084	(45 745)	410 769	(691 654)	1 207 654
Infrastructure	14 387 105	-	-	(292 520)	(3 864 392)	10 230 193
Community	(490 698)	-	-	490 698	(246 325)	(246 325)
Other property, plant and equipment	3 495 319	265 688	-	(2 292 094)	-	1 468 913
	30 170 578	**3 228 788**	**(1 015 501)**	**(773 690)**	**(6 786 436)**	**24 823 739**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	1 278 500	-	-	-	-	1 278 500
Buildings	3 747 048	-	-	-	(913 446)	2 833 602
Plant and machinery	4 603 279	-	(4 055 388)	8 518	(3 164 658)	(2 608 249)
Furniture and fixtures	5 807 419	-	(350 444)	-	(927 673)	4 529 302
Motor vehicles	7 420 271	-	(766 415)	189 327	(1 127 686)	5 715 497
IT equipment	1 811 844	-	(77 650)	-	(703 994)	1 030 200
Infrastructure	13 104 598	5 396 303	(119 534)	-	(3 994 262)	14 387 105
Community	-	-	-	-	(490 698)	(490 698)
Other property, plant and equipment	3 747 048	-	-	-	(251 729)	3 495 319
	41 520 007	**5 396 303**	**(5 369 431)**	**197 845**	**(11 574 146)**	**30 170 578**

Pledged as security

No assets were pledged as security for liabilities of the municipality:

Assets subject to finance lease (Net carrying amount)

Plant and machinery	-	6 745

Details of properties

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.

4. 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	4 524 463	(3 875 005)	649 458	4 462 898	(2 909 107)	1 553 791

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	1 553 791	61 566	(965 899)	649 458

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software, other	1 602 605	816 521	(865 335)	1 553 791

Pledged as security

No assets were pledged as security for liabilities of the municipality.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Dr Kenneth Kaunda Economic Agency	Dr Kenneth Kaunda District Municiplaity	100,00 %	100,00 %	120	120

The carrying amounts of controlled entities are shown net of impairment losses.

6. Other financial assets

nominal value of financial assets at cost

	2019	2018
Investment in controlled entity at cost 100% Shareholding in the Agency - cost	120	120

7. Employee benefit obligations

Post retirement medical aid benefit liability		
Post-Employment Health Care Benefit Liability	11 813 621	11 290 054
Total: Post-Employment Health Care Benefit Liability	11 813 621	11 290 054
Less: Transfer to current provisions	(262 019)	(243 737)
Net Post-Employment Health Care Benefit Liability	11 550 602	11 046 317

Post retirement medical aid liability

The Municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain 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 condition of service), on retirement, is entitled to remain a continued member of such medical aid fund, 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.

Figures in Rand	2019	2018

7. Employee benefit obligations (continued)

The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out as at 30 June 2019 by Arch Actuarial consulting, a member of the Actuarial Society of South Africa.
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. No other post retirement benefits are provided by themunicipality.
The Post Employment Health Care Benefit Plan is a defined benefit plan, of which the members are made up as follows:

Member category

In-service (employee) members	94	95
Continuation (retiree and widow) members	5	**5**
	99	**100**

The unfunded liability and current - service cost of past service has been estimated to be as follows:

Member category - Unfunded liability		
In-service members	8 307 847	8 054 716
Continuation members	3 505 774	3 235 338
	11 813 621	**11 290 054**

Current service cost		
Year ending 30 June 2019 (Current period)	685 389	669 000
Year ending 30 June 2020 (ensuing period)	695 389	685 585

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes
- Bonitas;
- Hosmed;
- LA Health;
- Key Health;
- Samwumed;
- Fedhealth

The future service cost for the ensuing year is established to be R695 389 whereas the interest-cost for the next year is estimated to be R 1 122 941

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate %	9,61	9,70
Health Care Cost Inflation Rate %	7,45	8,07
Maximum subsidy inflation rate	4,89	5,21
Net discount rate - health care cost inflation %	4,5	2,09
Continuation of membership at retirement %	75	90
Proportion assumed married at retirement %	60	90
Average retirement age	632	63
Mortality during employment	SA 85-90	SA 85-90

Changes in the fair value of plan liability are as follows:

Opening balance	11 290 054	10 962 142
Actuarial gains (losses)	(1 001 869)	(1 078 501)
Interest cost	1 083 588	1 061 461
Current service cost	685 585	669 000
Exchange differences	-	(45 338)
Benefits paid	(243 737)	(278 710)
	11 813 621	**11 290 054**

The municipality expects to contribute R - to its defined benefit plans in the following financial year.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

8. Receivables from exchange transactions

Accrual - Interest on call deposit	162 497	70 839
Other debtors	410 315	776 208
Less: Allowance for doubtful debt	-	(24 765)
	572 812	**822 282**

9. Receivables from non-exchange transactions

Prepaid expenses	602 000	873 412
Payment on behalf of local council	-	410 550
Salaries and bank clearing account	173 109	173 109
Less: Allowance for doubtful debt	(435 315)	(410 550)
	339 794	**1 046 521**

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

Opening balance	(410 550)	(313 984)
Provision for impairment	-	(96 566)
	(410 550)	**(410 550)**

10. VAT receivable

VAT	5 976 289	5 986 382

The municipality is registered on the payment basis for VAT and management is of the opinion that the VAT receivable at year end, reflects the fair value of the amount to be received from SARS.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 600	6 600
Bank balances	18 024 001	3 754 818
Short-term deposits	18 000 000	6 000 000
	36 030 601	**9 761 418**

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**
Current Account (Primary Bank Account ABSA Klerksdorp Account no 950 000 627)	17 037 891	4 393 407	2 176 508	17 037 891	2 799 761	1 625 318
Current Account (Local Government Support Grant) ABSA Klerksdorp Account no 405 643 8304	986 110	955 057	2 113 228	986 111	955 057	2 113 228
Total	**18 024 001**	**5 348 464**	**4 289 736**	**18 024 002**	**3 754 818**	**3 738 546**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

12. Accumulated surplus

Ring-fenced internal funds and reserves within accumulated surplus - 2019

	Accumulated Surplus	Total
Balance	1 588 167	1 588 167

13. Finance lease obligation

Minimum lease payments due		
- within one year	-	54 874
	-	54 874
less: future finance charges	-	6 694
Present value of minimum lease payments	**-**	**61 568**

Present value of minimum lease payments due		
- within one year	-	48 180

It is municipality policy to lease certain property (motor vehicle) and equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9% (2018: 9%).

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note .

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Fire support grant	65 626	65 626
Local government support grant	986 112	955 057
Unspent grants 16	111 839	209
	1 163 577	**1 020 892**

The municipality complied with the conditions attached to the grants received to the extend of revenue recognised. Unspent portions of conditional grants are cash backed.

See note 19 for reconciliation of grants from National/Provincial Government.

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

15. Payables from exchange transactions

Trade payables	6 498 262	7 640 544
Retention	308 059	1 596 949
Other Creditors: Accrual - Compensation Commissioner	2 899 794	2 400 445
Leave and bonus	11 025 892	10 944 762
Salary clearing account	864	864
	20 732 871	**22 583 564**

16. Payables from non-exchange transactions

Bank reconciliation clearing account	1 032 816	856 212

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Investment revenue

Dividend revenue		
Listed financial assets - Local	-	2 250
Interest revenue		
Bank	716 843	448 682
Investment and call deposit	2 879 105	2 322 874
	3 595 948	**2 771 556**
Total investment revenue	**3 595 948**	**2 773 806**

18. Transfers and Subsidies

Other subsidies		
Bursaries non-employees	126 440	133 140
Dr Kenneth Kaunda Economic Development Agency	3 000 000	3 000 000
Merit Bursaries Community	2 051 610	2 285 600
Less: Fair value adjustments - credit purchases	-	(38 750)
	5 178 050	**5 379 990**

Figures in Rand	2019	2018

19. Government grants and subsidies

Operating grants

Equitable share	21 710 000	20 039 000
Fire support grant	-	454 656
Tirelo Bosha grant	496 200	429 000
LG Seta mandatory grant	149 945	97 666
Expanded public work program	1 151 000	1 292 000
Finance management grant	1 000 000	1 250 000
Levy replacement grant	158 323 000	153 637 000
Rural Road Management System Grant	2 348 369	2 455 000
	185 178 514	**179 654 322**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	5 145 514	5 978 322
Unconditional grants received	180 033 000	173 676 000
	185 178 514	**179 654 322**

Fire Support Grant

Balance unspent at beginning of year	65 626	-
Current-year receipts	-	520 282
Conditions met - transferred to revenue	-	(454 656)
	65 626	**65 626**

Conditions still to be met - remain liabilities (see note 14).

Tirelo Bosha Grant

Current-year receipts	496 000	429 000
Conditions met - transferred to revenue	(496 000)	(429 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

LG Seta Mandatory Grant

Current-year receipts	149 945	97 666
Conditions met - transferred to revenue	(149 945)	(97 666)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Expanded Public Work Program

Current-year receipts	1 151 000	1 292 000
Conditions met - transferred to revenue	(1 151 000)	(1 292 000)
	-	-

Conditions still to be met - remain liabilities (see note 14).

Local Government Support Grant

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

19. Government grants and subsidies (continued)

Balance unspent at beginning of year	955 057	917 747
Current-year receipts	31 055	37 310
	986 112	**955 057**

Conditions still to be met - remain liabilities (see note 14).

Finance Management Grant

Current-year receipts	1 000 000	1 250 000
Conditions met - transferred to revenue	(1 000 000)	(1 250 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Levy Replacement Grant

Current-year receipts	158 323 000	153 637 000
Conditions met - transferred to revenue	(158 323 000)	(153 637 000)
	-	**-**

Conditions still to be met - remain liabilities (see note 14).

Rural Road Asset Management Grant

Balance unspent at beginning of year	209	936 209
Current-year receipts	2 460 000	2 455 000
Conditions met - transferred to revenue	(2 348 370)	(2 455 209)
Transfer back to National Treasury	-	(936 000)
	111 839	**209**

Conditions still to be met - remain liabilities (see note 14).

Figures in Rand	2019	2018

20. Employee related costs

Basic	57 538 712	55 544 057
Medical aid - company contributions	3 146 682	2 991 167
UIF	222 741	240 928
Bargaining council contributions	11 504	11 224
Leave pay provision charge	4 006 346	3 362 233
Cell Phone Allowance	870 116	920 158
Defined contribution plans	2 023 842	1 685 123
Overtime payments	129 858	160 410
Post - retirement medical aid contribution	(50 665)	530 277
13th Cheques	3 957 001	3 952 079
Acting allowances	1 779 785	1 585 064
Car allowance	8 378 574	8 199 702
Housing benefits and allowances	455 714	394 913
Standby Allowance	97 203	92 042
Group Life Insurance - Council Contribution	413 719	404 811
Pension Fund - Council contribution	7 629 876	7 499 637
Uniform Allowance	36 852	7 915
	90 647 860	**87 581 740**

Remuneration of Municipal Manager

Annual Remuneration	958 620	682 137
Leave Sol	33 232	-
Other Allowances	15 000	11 250
Acting Allowance	-	78 340
Statutory contribution	-	1 408
Bonus	76 816	-
	1 083 668	**773 135**

Remuneration of Chief Finance Officer

Annual Remuneration	-	584 955
Leave Sold	-	217 375
Other Allowance	700	5 250
Acting Allowance	195 487	201 546
Statutory Contribution	-	25 904
	196 187	**1 035 030**

J Brown was acting as a CFO from 01 July 2018 to 3 January 2019 and T Ngqobe from 01 February to 30 June 2019

Remuneration of Director Corporate Services

Annual Remuneration	231 473	1 011 260
Car Allowance	15 000	180 000
Leave Sold	235 917	41 029
Other Allowances	2 281	12 600
Acting Allowances	22 920	161 920
Statutory Contribution	-	68 169
	507 591	**1 474 978**

S Abrams acted as Director Corporate Services from 01 September 2018 to 28 February 2019 and MM Seleke acted in March 2019 and R Ralekgetho in Jul 2018

Remuneration of Director Infrastructure

Figures in Rand	2019	2018

20. Employee related costs (continued)

Annual Remuneration	323 505	1 309 543
Leave Sold	179 009	43 396
Other Allowance	4 550	15 000
Acting Allowance	171 279	217 796
Statutory Contribution	218 280	1 877
	896 623	**1 587 612**

Remuneration of Director District Economic Development

Annual Remuneration	-	1 088 517
Leave Sold	-	143 602
Other Allowance	2 200	11 550
Acting Allowance	158 106	26 720
13th Cheque	-	127 339
Cellphone Allowance	-	69 233
	160 306	**1 466 961**

GK Sophuka acted as Director DED from 01 July 2018 to 30 November 2018 and TM Rampedi from 01 December 2018 to 31 May 2019

Remuneration of Director Disaster Management

Annual Remuneration	1 760	297 008
Leave Sold	-	102 573
Other Allowance	197 709	3 150
Acting Allowance	-	272 988
13th Cheque	-	54 897
Statutory Contribution	-	469
	199 469	**731 085**

TS Mosebi acted as Director DEH from 01 July 2018 to 30 September 2018, Matlhakola from 01 October 2018 to 31 December 2018 and NP Tenza from 01 April to 30 June 2019

Remuneration of the Director Environmental Health

Acting Allowance	223 264	348 406
Other Allowance	2 800	-
	226 064	**348 406**

21. Remuneration of Councillors

Executive Major	903 871	859 950
Mayoral Committee Members	3 839 828	3 554 130
Speaker	731 975	693 504
Councillors	3 685 506	3 860 571
Single whip	689 003	652 210
	9 850 183	**9 620 365**

22. Depreciation and amortisation

Property, plant and equipment	6 794 219	8 042 377
Intangible assets	965 899	865 335
	7 760 118	**8 907 712**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

23. Finance costs

Finance leases	-	284 613
Fair value adjustments on credit purchases	-	564 088
	-	**848 701**

24. Debt impairment

Contributions to debt impairment provision	-	121 331

25. Contracted services

Outsourced Services	12 163 259	9 923 052
Fair value adjustment	-	(313 480)
Consultants and Professionals Services	14 348 763	13 198 339
Other Contractors	6 689 449	20 711 564

26. General expenses

Assessment rates & municipal charges	1 314 489	1 303 374
Auditors remuneration	2 912 665	3 063 964
Bank charges	83 938	123 312
Donations	916 644	1 278 280
Entertainment	369 535	559 118
Hire Charges	469 890	515 286
Insurance	695 094	779 643
Conferences and seminars	1 593 635	1 309 927
skills development levy	682 981	676 057
IT expenses	1 250 281	2 387 416
Compensation commissioner	499 349	466 364
Fair value adjusmentt	-	(211 859)
In-kind benefit expenses	-	117 480
Municipal public accounts committee expenses	-	96 889
Motor vehicle expenses	1 195 496	1 137 847
Printing and stationery	210 853	937 831
Protective clothing	121 318	93 450
Repairs and maintenance	36 133	-
License fees	125 575	59 873
Subscriptions and membership fees	931 875	917 155
Telephone and fax	1 137 998	1 227 563
Accomodation, subsistence and travel	979 358	1 453 734
Training	434 013	710 818
Travel - local	75 500	258 967
Toll fees	-	15 952
Office rental	2 572 866	3 884 496
Business expenses councillors and directors	107 159	103 873
EPWP - Skills development & training	1 238 757	2 832 868
Expense 3	878 563	-
Events and campaigns	1 767 524	2 082 994
Consumables	1 537 350	1 228 931
	24 138 839	**29 411 603**

27. Auditors' remuneration

Fees	2 912 665	3 063 964

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Operating lease

Details of leases - liability

• Lease office space - Orkney		148 800

Minimum lease payments due

Within one year	1 742 400	1 584 000
In the second year		1 742 400

29. Cash generated from operations

Surplus (deficit)	19 609 076	(2 450 396)
Adjustments for:		
Depreciation and amortisation	7 760 118	8 907 712
Gain on disposal of assets	(7 683)	(495 946)
Loss on disposal of assets	959 539	1 433 857
Finance costs - Finance leases	-	284 613
Impairment losses - Provision for doubtful debt: Exchange transactions	-	24 765
Impairment losses - Provision for doubtful debt: Non exchange transactions	-	96 566
Provision for leave reserve	-	480 588
Actuarial gains	-	(769 420)
Fair value adjustments - shares	-	(14 417)
Movements in operating lease liabilities	4 800	145 367
Movements in post - retirement medical aid liability and long service awards liability -current	523 567	186 334
Movements in post - retirement medical aid liability and long service awards liability - non current	-	1 548 217
Changes in working capital:		
Receivables from exchange transactions	249 470	(589 876)
Other receivables from non-exchange transactions	706 727	(323 899)
Payables from exchange transactions	(1 850 693)	(4 702 044)
VAT	68 788	(274 114)
Taxes and transfers payable (non-exchange)	176 604	-
Unspent conditional grants and receipts	142 685	(833 064)
	27 619 415	**2 654 843**

30. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	572 812	572 812
Other receivables from non-exchange transactions	339 794	339 794
Cash and cash equivalents	36 030 601	36 030 601
Investment in controlled entities	120	120
	36 943 327	**36 943 327**

Financial liabilities

	At amortised cost	Total
Operating leases liabilities	153 600	153 600
Trade and other payables from exchange transactions	20 732 871	20 732 871
Trade and other payables (non-exchange)	1 032 816	1 032 816

Figures in Rand	2019	2018

30. Financial instruments disclosure (continued)

	21 919 287	**21 919 287**

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	822 282	822 282
Other receivables from non-exchange transactions	1 046 521	1 046 521
Cash and cash equivalents	9 761 418	9 761 418
Investment in controlled entities	120	120
	11 630 341	**11 630 341**

Financial liabilities

	At amortised cost	Total
Finance lease liabilities	48 180	48 180
Operating leases liabilities	148 800	148 800
Trade and other payables from exchange transactions	22 583 564	22 583 564
Trade and other payables (non-exchange)	856 212	856 212
	23 636 756	**23 636 756**

Financial instruments in Statement of financial performance

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	3 595 948	3 595 948

2018

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	2 771 556	2 771 556
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	848 701	848 701
Impairment loss	121 331	121 331
	3 741 588	**3 741 588**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

31. Contingencies

Contingent liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or no-occurrence of or more uncertain future events not wholly with the control of the entity.

A contingent liability can also arise as a result of present obligation that arises from past events, but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with enough reliability

Disclosure of contingent liabilities and assets
The following contingent liabilities and assets exist:

Contingent liabilities

MWorld Focus against Dr KKDM	272 504	0
Batting Development Products against Dr KKDM The matter is pending	5 280 585	5 280 585
Rampedi against DR KKDM Nature of dispute - Unfair labour practice Status of case - Arbitration was scheduled for 23 January 2015. The matter is pending. Case no NWD 01410	2 062 097	1 962 097
MB Molefe against DR KKDM Nature of dispute - Unfair labour practise Status of case - The matters were consolidated and archived pending the outcome of JR 270214, Case no JS 57714 and JS 844/14f	494 043	660 000
MB Molefe against Dr KKDM An application for leave to appeal has been filed at the labour court. Case no JR 2702/2014	300 447	660 000
MB Molefe against DR KKDM On 8 June 2015 the Office of the Legal Manager received summons from the Sheriff Orkney. The summons was issued by the Registrar North Gauteng High Court. The Plaintiff in the matter is Mr MB Molefe and the 1st responded in Matlakala Irene Matthews.	0	575 099
MB Molefe against DR KKDM On 20 March 2014, The Plaintiff issued summons against the former Executive Mayor and Acting Municipal Manager for damages suffered.	0	800 000
Nalko against DR KKDM The Plaintiff has issued summons on 1 June 2018 form the North West	5 867 403	6 348 626
MW Asset Rentals (Pty) Ltd against DR KKDM Background – DR KKDM cancelled the Master Rental Agreement with Bakopane Information Systems CC t/a Toshiba Office Systems and Technology. The agreement was entered during the month of October 200 and it was for the rental of photocopy machines, printers and faxes. The right of the Master Rental Agreement were then ceded by Toshiba to Merchant west Asset Rentals (MW Rentals). The Auditor- General Report for the year end 30 June 2010, indicated that procurement procedures were not properly followed in the appointment of Toshiba. On 27 February 2012 the agreement between DR KKDM and MW Rentals was then cancelled due to the fat that the agreement was not valid as proper procurement procedures were not followed.	518 461	518 461
CMH T/A First Car Rental against Dr KKDM Nature of dispute – The summons was issued on 21 June 2016, at the South Gauteng high court. The Attorneys have filed a notice of intention to defend.	0	558 720
Z Beya against Dr KKDM	400 000	0

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
31. Contingencies (continued)		
ISD against Dr KKDM	200 000	0
Contingent Assets		
Dr KKDM against Trading Enterprise CC Various payments were to Amadeka trading Enterprises totaling an amount of R 883 639. Amadeka Trading had not rendered any services to DR KKDM in order to justify the above-mentioned payments.	863 639	883 639
Dr KKDM against Bareng Rasego Trading Enterprise Status: Various payments were made to Bareng Trading Enterprise totaling an amount of R 538 830. The company had not rendered any services to DR KKDM in order to justify the above-mentioned payments made. Amount requested R 538 830.	538 830	538 830
DR KKDM against Kumekucha Investments CC Status: On 26 March 2010 cheque was issued and drawn on the bank account to the municipality, for an amount of R 550 000 in favour of Kumekucha Investments as remuneration for allegedly supplying the district municipality with a feasibility study on Loan and Project report. However, Kumekucha had never supplied any good and/or services to the DR KKDM	550 000	550 000
DR KKDM against Big Break Legacy Project Team Status: Letter of demand was served to Dual Point Media to recover monies paid over to the company to produce the Big Break Legacy Season 3 Estimated mount to be received by DR KKDM is R 10 million	10 000 000	10 000 000

Figures in Rand	2019	2018

32. Related parties

Relationships

Controlled entities	Dr Kenneth Kaunda District Economic Agency Refer to note 5
Member of Council	Refer to General Information page on the financial statements
Member of Key Management	Refer to General Information page of the financial statements Members of Key Management S Lesupi - Municipal Manager J Brown - Acting CFO from 01 July 2018 to 31 January 2019; and T Ngqobe- Acting CFO 01 January 2019 - 30 June 2019 S Abrams - Acting Director Corporate Services from 01 September 2018 to 28 February 2019 and MM Seleke acted from 01 March 2019; KT Tshukudu - Acting Director Infrastructure from 01 October 2018 to 30 June 2019 TS Chanda - Acting Director Disaster Management from 01 July 2018 to 30 September 2018; and RC Lesar acted from 01 October 2018 to 30 June 2019 TM Mosebi - Acting Director Environmental Health from 01 July 2018 to 30 September 2018; and Matlakola acted from 01 October 2018 to 31 December 2018, and NP Tenza from 01 April 2019 to 30 June 2019

Related party balances

	2019	2018
Investment		
Dr Kenneth Kaunda Economic Agency	120	120
Amounts included in transfers and subsidies relted parties		
Dr Kenneth Kaunda Economic Development Agency	3 000 000	3 000 000
Amounts included in Operating Leases		
City of Matlosana	2 041 797	-

Key management information

Class	Description	Number
Executive Mayor	Executive Authority	1
Members of Mayoral Council	Executive Authority	6
Single Whip	Executive Authority	1
Chairperson of MPAC	Executive Authority	1
Councillors (Part time and directly elected)	Executive Authority	40
Speaker	Executive Authority	1
Municipal Managers	Accounting Officer	1

Figures in Rand	2019	2018

32. Related parties (continued)

Key Management	Key Management	6

33. Prior period errors

Property, plant and equipment were depreciated expensed in prior year resulting in an overstatement of expenses and understatement of property plant and equipment

Value Added Tax; certain transactions were incorrectly classified for VAT purposes and these have bee corrected VAT allocated accordingly.

Certain expenses were either overstated and/or undersated in 2018 and

The correction of the error(s) results in adjustments as follows: 2019

	2019	2018
Statement of financial position		
Property, plant and equipment	-	24 167
Payables and Accruals	(236 704)	(1 078 185)
Receivables from exchange transactions	-	20 000
Opening Accumulated Surplus or Deficit	236 704	1 686 689
Statement of financial performance		
Depreciation expense	-	833
General Expenses	236 704	1 686 689

34. Comparative figures

Certain comparative figures have been reclassified as a result of Mscoa re-classification.

35. Risk management

Financial risk management

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.

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

Figures in Rand	2019	2018

35. Risk management (continued)

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for member and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of cash and cash equivalents and equity as disclosed in the statement of financial position.
Consistent with others in the industry, the municipality monitors capital on the basis of the debt: equity ratio.
This ration is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total equity is represented in the statement of financial position.

There are no externally imposed capital requirements.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial instruments	**2019**	**2018**
Investments	-	2 250
Call Investment Deposits	18 000 000	6 000 000
Investment in associates	120	120
Receivables from exchange transactions	572 812	822 282
Receivables from non-exchange transactions	339 794	1 046 521
Bank balances and cash	17 962 121	3 761 418

36. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 30 070 442 and that the municipality's total assets exceed its liabilities by R 30 070 442.

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality and that the subordination agreement referred to in note XX of these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipality.

37. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:
- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Transactions with Councillors

The following remuneration was paid to Councillors during the year.

Municipal Councillors

Name	Salary	Travelling	Telephone	Medical & Pension	Sitting & Travel	Total
BE MOSIANE	734 255,40		44 400,00	125 215,58		903 870,98
DP MASIU	438 334,84	171 888,00	44 400,00	77 352,16		731 975,00
NM KOLOTI	440 165,40	161 143,50	44 400,00	43 294,14		689 003,04
MI MARTINS	376 151,90	161 148,00	44 400,00	107 303,07		689 002,97
M ZEPHE	383 652,30	161 148,00	44 400,00	99 802,71		689 003,01
MM MOJAHI	390 024,70	161 148,00	44 400,00	93 430,29		689 002,99
HH MBELE	390 024,70	161 148,00	44 400,00	93 430,29		689 002,99
ZE MPHAFUDI	445 605,10	161 148,00	44 400,00	37 849,92		689 003,02
SP VALIPATI	279 969,00	93 144,00	21 700,00	-		394 813,00
KL VAN ZYL	203 998,00	67 992,00	44 400,00	-		316 390,00
NG ADOONS	313 091,65	130 350,00	37 710,40	87 478,83		568 630,88
LN DAYIYA	173 398,30	67 992,00	44 400,00	30 599,67		316 389,97
SV LETSHWITI	173 399,00	67 992,00	44 400,00	30 598,97		316 389,97
BAS C CLOETE	203 998,00	67 992,00	44 400,00	-		316 390,00
LS MOTLOIWA	173 399,00	67 992,00	44 400,00	30 598,97		316 389,97
FJ BOTHA	173 398,30	67 992,00	44 400,00	30 599,67		316 389,97
WA MOSTERT	231 191,50		44 400,00	40 798,49		316 389,99
CJ COETZER					23 337,60	23 337,60
EM POSTMA					46 675,20	46 675,20
IM GROENEWALD					28 641,60	28 641,60
D GIWILI					37 128,00	37 128,00
AS MOTLADI					31 824,00	31 824,00
P MORULANE					1 020,00	1 020,00
HF SAUDI					33 945,60	33 945,60
B TABEDZ					47 736,00	47 736,00
SF DU TOIT					9 547,20	9 547,20
LS MOKGALAG					93 222,00	93 222,00
SL MOREMI					44 553,60	44 553,60
G MOSENOGI					56 773,12	56 773,12
K NDINCEDE					39 249,60	39 249,60
LL CUTSWA					62 587,20	62 587,20
SL MONDLANE					40 310,40	40 310,40
PZ LESOMO					49 431,36	49 431,36
LM LEBENYA					37 128,00	37 128,00
JJ LE GRANGE					28 641,60	28 641,60
GA MOHOEMANG					45 614,40	45 614,40
ME MOSWEU					45 614,40	45 614,40
AO PHUTIYAGA					37 638,10	37 638,10
MN NTULI					27 580,80	27 580,80
CJ BESTER					33 945,60	33 945,60
	5 524 057,09	**1 770 217,50**	**725 410,40**	**928 352,76**	**869 815,20**	**9 850 183,13**

39. Unauthorised expenditure

	2019	2018
Opening balance as previously reported	67 966 774	50 468 921
Opening balance as restated	**67 966 774**	**50 468 921**
Current year expenditure	-	17 497 853
Closing balance	**67 966 774**	**67 966 774**

40. Fruitless and wasteful expenditure

	2019	2018
Opening balance as previously reported	10 585 735	10 427 764
Opening balance as restated	**10 585 735**	**10 427 764**
Current year expenses	30 905	157 971
Closing balance	**10 616 640**	**10 585 735**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

41. Irregular expenditure

Opening balance as previously reported	129 787 357	101 823 533
Correction of prior period error	(9 462 208)	-
Opening balance as restated	**120 325 149**	**101 823 533**
Add: Irregular Expenditure - current period	21 607 852	18 501 615
Closing balance	**141 933 001**	**120 325 148**

42. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	(873 412)	(795 188)
Current year subscription / fee	873 412	795 188
Amount paid - current year	602 000	873 412
	602 000	**873 412**

Audit fees

Current year subscription / fee	2 912 665	3 063 964
Amount paid - current year	(2 912 665)	(3 063 964)
	-	-

PAYE and UIF

Current year subscription / fee	18 474 661	17 666 243
Amount paid - current year	(18 474 661)	(17 666 243)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	19 724 416	11 075 411
Amount paid - current year	(19 724 416)	(11 075 411)
	-	-

VAT

VAT receivable	5 976 289	5 986 382

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Supply chain management regulations

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

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

43. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

44. Commitments

Authorised Capital Expensiture	**2019**	**2018**
• Infrastructure Other	618 679	868 020

This expenditure will be financed from :

• Own resources	618 679	868 020