



Mopani District Municipality
Annual Financial Statements
for the year ended 30 June 2019

Mopani District Municipality

(Registration number DC33)

Annual Financial Statements for the year ended 30 June 2019

General Information

Nature of business and principal activities

- Provision of a democratic and accountable Local Government for communities in the mopani district area;
- Ensuring the provision of services to these communities in a sustainable manner;
- Promotion of social and economic development;
- Promotion a safe and healthy environment; and
- Encourage the involvement of communities and community organisations in the matters of Local Government in the mopani district

Executive Mayor

Councillor Rakgoale N.C (01 July 2016 - 30 May 2019)

Councillor Shayi P (07 June 2019 to date)

Speaker

Councillor Sedibeng D.W

Chief Whip

Councillor Maswanganyi N.K

Mayoral committee

Councillor Baloyi N.N (Sports, Arts and Culture)

Councillor Maake M.D (Governance and Shared Services)

Councillor Mohale M.C (Economic Development)

Councillor Sefufi M.H (Water Services)

Councillor Modjadji G.H (Finance)

Councillor Malatji G.M (Infrastructure)

Councillor Mathonsi E.J (Roads and Transport)

Councillor Shimange-Fazi M.I (Agriculture)

Councillor Mathaba M.A (Community Development)

Mayoral Committee (01 July 2016 - 30 May 2019)

Councillor Baloyi N.N (Governance and Shared Services)

Councillor Mohale M.C (Economic Development)

Councillor Sefufi M.H (Roads and Transport)

Councillor Mathonsi E.J (Finance)

Councillor Zandamela N.H (Water Services)

Councillor Sono N.A (Community Development)

Councillor Maswanganyi M.O (Infrastructure)

Councillor Mokgobi M.L (Sports, Arts and Culture)

Councillor Maloko M.L (Agriculture)

MPAC Chairperson

Councillor Modjadji G.H (01 July 2016 - 30 May 2019)

Councillor Nkwashu M.C (07 June 2019 to date)

Other Councillors

Councillor Malepe K.J

Councillor Malatji P.T

Councillor Nkuna S.J

Councillor Helm M.A

Councillor Ramathoka C.M

Councillor Chauke M.R

Councillor Makwela M.M

Councillor Rapatsa K.I

Councillor Mahasha N.M

Councillor Malemela D

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Councillor Shisinga C.T
Councillor Pohl R.E
Councillor Makwala M.M
Councillor Mashele J.G
Councillor Makwala S.C
Councillor Madike M.F
Councillor Popela M.D
Councillor Maluleke G.A
Councillor Makasela R
Councillor Mathebula M.M.A
Councillor Ramothwala B
Councillor Morwasetla M.F
Councillor Mthombeni T.N
Councillor Valoyi X.J
Councillor Zitha T.C
Councillor Makhubele T
Councillor Manganyi S.V
Councillor Maenetsa M.B
Councillor Maake M.R
Councillor Mangoro M.V
Councillor Manyama M.F (Deceased, Terminated on the 30 April 2019)
Councillor Mathedimosa M.B
Councillor Senyolo T.J
Councillor Hlungwana I
Councillor Nyakane MR (Resigned on the 31st december 2018)

Grading of local authority

4

Accounting Officer

Monakedi S.R

Chief Finance Officer

Kgatla Q

Registered office

Government Building
Main Road
Giyani
0826

Business address

Government Building
Main Road
Giyani
0826

Postal address

Private Bag X9687
Giyani
0826

Website

www.mopani.gov.za

Currency

South African Rands

Rounding off

Nearest Rand

Telephone

015 811 6300

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General Information

Bankers

ABSA

Auditor

Auditor - General of South Africa

Audit Committee

Mr Modipane T.C CA(SA) (Chairperson)

Mrs Mabuza JM

Mr Ngobeni SAB

Mr Nevhutalu T.G CA(SA)

Lawyers

Ramotwala Attorneys

T.J Machethe Attorneys

Maloka Thulare Attorneys

Mbewe & Associates

Mogaswa Incorporate

Magabe Attorneys

Modjadji Raphesu Attorneys

SML Matsaung Attorneys

Verveen Attorneys

Talane Associates

Sefalafala Attorneys

Mabu Letaba Attorneys

Raphela Attorneys

Mohale Attorneys

Maboku Mangena Attorneys

Popela Maake Attorneys

Mahumani Attorneys

NJ Morero Attorneys

Rathelele Attorneys

Phungo Attorneys

Mahowa Attorneys

Kgatla Attorneys

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

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| | |
|---------|--|
| CFO | Chief Financial Officer |
| CoGHSTA | Cooperative Governance Human Settlement and Traditional Affairs |
| DWS | Department of Water and Sanitation |
| EPWP | Extended Public Works Programme |
| FIFO | First-in-first-Out |
| FMG | Finance Management Grant |
| GRAP | Generally Recognised Accounting Practice |
| CIGFARO | Chartered Institute of Government Finance, Audit and Risk Officers |
| IT | Information Technology |
| LP | Limpopo Province |
| LG SETA | Local Government Sector Education and Training Authority |
| LNW | Lepelle Northern Water |
| LMs | Local Municipalities |
| LSA | Long Service Award |
| MDM | Mopani District Municipality |
| AC | Accounting Officer |
| WSIG | Water Service Infrastructure Grant |
| PMDS | Performance Management and Development System |
| PPE | Property, Plant and Equipment |
| PAYE | Pay As You Earn |
| SDL | Skills Development Levy |
| SALGBC | South African Local Government Bargaining Council |
| SALGA | South Africa Local Government Bargaining Council |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Tax |
| WSA | Water Service Authority |
| WSOG | Water Service Operating Grant |

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

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

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk.

These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The accounting officer has reviewed the municipality's cash flow forecast for the 12 months to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

The internal auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements.

The annual financial statements set out on pages 7 to 90, which have been prepared on the going concern basis, are approved by the accounting officer on 31 August 2019 and were signed by:

Accounting Officer
Kgatla Q (Acting Municipal Manager)

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Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in provision of service delivery and accountable local government for communities in the Mopani District area; ensuring the provision of services to these communities in a sustainable manner; promotion of social and economic development; promotion a safe and healthy environment; and encourage the involvement of communities and community organisations in the matters of local government in the mopani district and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements..

Net surplus of the municipality was R 391 123 462 (2018: surplus R 242 616 709).

2. Going concern

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

Realisation of assets

The assets of the district are liquid and can be realised for market value as and when the need arises. This is a positive on the going concern assessment.

Contingent Obligations

The municipality does not equivalent cash reserves to honour the contingent obligations should they fall due. This is a negative on the going concern assessment.

Commitments

Commitments are mainly for work in progress projects that have ring fenced funding available for the project lifespan. This is a positive on the going concern assessment.

Further to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

a) There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.

b) There is no change in the legislation that impact on the municipality's ability to continue as a going concern;

c) There is plans to ensure that there is effective spending of funds.

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 secure funding through the national treasury. The most significant of these is that the accounting continues to secure funding through national treasury for the ongoing operations of the municipality. Other factors affecting going concern are as follows:

As at 30 June, the municipality's current assets exceed the current liabilities by Rxxxx resulting in the municipality to be technically insolvent. This fact on its own does bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated.

a) The municipality is experiencing challenges of collecting own revenue from water and sanitation. This is due to weakness and controls involving management of revenue at the local municipalities since the latter are service providers and the district is the service authority. The district did not budget or commit this type of revenue in its budgetary assumptions. This is a positive to going concern assessment.

b) The municipality is servicing significant historic obligations that do not necessarily have source of funding other than the

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Accounting Officer's Report

funding from National Treasury. These obligations include Lepelle Northern Water at R570 813 221, Department of Water Affairs at R379 465 465, as well as litigations and claims amounting to R347 641 239 .

Based on the above assessment done, the district municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2019 under going concern assumptions. The Municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

3. Subsequent events

The Municipal Manager Mr Monakedi SR resigned from the municipality on the 31 July 2019, council has approved the appointment of Mr Kgatla Q as the Acting Municipal Manager and Mr Mangena S as the Acting Chief Financial Officer for a period of three (3) months ending 31 October 2019.

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. Accounting Officer

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

Monakedi S.R (South African).
01 April 2017 to 31 July 2019

Kgatla Q (South African) - Acting Municipal Manager
01 August to 31 October 2019

6. Banker

The District Municipality primarily banks with ABSA.

7. Auditor

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

Kgatla Q (Acting Municipal Manager)

Date: _____

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Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

| Figures in Rand | Note(s) | 2019 | 2018 |
|---|---------|----------------------|----------------------|
| | | | Restated* |
| Assets | | | |
| Current Assets | | | |
| Inventories | 6 | 14 435 951 | 13 853 241 |
| Receivables from exchange transactions | 7 | 498 174 041 | 385 837 924 |
| Cash and cash equivalents | 9 | 161 636 209 | 131 303 661 |
| | | 674 246 201 | 530 994 826 |
| Non-Current Assets | | | |
| Property, plant and equipment | 3 | 5 594 185 740 | 5 179 368 985 |
| Intangible assets | 4 | 6 339 017 | 7 187 184 |
| Heritage assets | 5 | 432 000 | 432 000 |
| Assets held for sale | | - | 15 504 |
| | | 5 600 956 757 | 5 187 003 673 |
| Total Assets | | 6 275 202 958 | 5 717 998 499 |
| Liabilities | | | |
| Current Liabilities | | | |
| Finance lease obligation | 37 | 2 251 501 | 2 512 230 |
| Payables from exchange transactions | 11 | 1 609 486 566 | 1 492 845 970 |
| Consumer deposits | 12 | 3 942 513 | 4 351 591 |
| Employee benefit obligation | 36 | 69 548 554 | 85 349 118 |
| Unspent conditional grants and receipts | 10 | 103 701 806 | 92 107 469 |
| | | 1 788 930 940 | 1 677 166 378 |
| Non-Current Liabilities | | | |
| Finance lease liability | 37 | 58 917 225 | 5 056 136 |
| Provision for landfill site | 38 | 13 015 422 | 12 560 076 |
| | | 71 932 647 | 17 616 212 |
| Total Liabilities | | 1 860 863 587 | 1 694 782 590 |
| Net Assets | | 4 414 339 371 | 4 023 215 909 |
| Accumulated surplus | | 4 414 339 371 | 4 023 215 909 |

* See Note 41

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Statement of Financial Performance

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|------------------------|------------------------|
| Revenue | | | |
| Revenue from exchange transactions | | | |
| Service charges | 14 | 179 367 628 | 248 464 964 |
| Interest on overdue accounts | 15 | 44 533 707 | 106 083 702 |
| Other income | 16 | 1 244 435 | 1 559 291 |
| Interest received - investment | 15 | 13 200 187 | 5 437 907 |
| Profit or loss of disposal of assets | | 75 092 | - |
| Actuarial gains | 13 | 20 550 060 | 7 385 988 |
| Total revenue from exchange transactions | | 258 971 109 | 368 931 852 |
| Revenue from non-exchange transactions | | | |
| Transfer revenue | | | |
| Government grants & subsidies | 17 | 1 438 374 172 | 1 227 524 126 |
| Total revenue | 13 | 1 697 345 281 | 1 596 455 978 |
| Expenditure | | | |
| Employee related costs | 18 | (389 746 861) | (352 806 085) |
| Remuneration of councillors | 18 | (13 223 521) | (13 179 128) |
| Depreciation and amortisation | 19 | (177 983 238) | (175 237 652) |
| Impairment and write off - assets | 40 | (45 763 306) | (34 046 925) |
| Finance costs | 20 | (71 905 639) | (48 657 118) |
| Debt Impairment | 21 | (28 395 821) | (111 206 893) |
| Bulk purchases | 22 | (172 303 250) | (179 755 374) |
| Contracted services | 23 | (54 962 487) | (51 183 632) |
| Transfers and Subsidies | 39 | (353 859) | (1 325 647) |
| Repairs and maintenance | | (179 193 731) | (152 042 054) |
| General Expenses | 24 | (172 390 106) | (144 133 723) |
| Total expenditure | | (1 306 221 819) | (1 263 574 231) |
| Surplus for the year | | 391 123 462 | 332 881 747 |

* See Note 41

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Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|----------------------|----------------------|
| Opening balance as previously reported | 3 737 128 241 | 3 737 128 241 |
| Adjustments | | |
| Correction of errors | (46 794 079) | (46 794 079) |
| Balance at 01 July 2017 as restated* | 3 690 334 162 | 3 690 334 162 |
| Profit for the year | 332 881 747 | 332 881 747 |
| Total changes | 332 881 747 | 332 881 747 |
| Restated* Balance at 01 July 2018 | 4 023 215 909 | 4 023 215 909 |
| Surplus for the year | 391 123 462 | 391 123 462 |
| Total changes | 391 123 462 | 391 123 462 |
| Balance at 30 June 2019 | 4 414 339 371 | 4 414 339 371 |
| Note(s) | | |

* See Note 41

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Statement of Cashflow

| Figures in Rand | Note(s) | 2019 | 2018 Restated* |
|---|---------|---------------------------|---------------------------|
| Cash flows from operating activities | | | |
| Receipts | | | |
| Service charges | | 286 074 | 274 107 |
| Grants | | 1 449 968 509 | 1 317 445 042 |
| Interest income | | 12 958 310 | 4 571 945 |
| Other receipts | | 349 797 | 1 138 099 |
| VAT refund | | 233 307 803 | 58 006 459 |
| | | <u>1 696 870 493</u> | <u>1 381 435 652</u> |
| Payments | | | |
| Employee costs | | (393 041 869) | (371 209 936) |
| Suppliers | | (623 752 019) | (344 423 501) |
| Finance costs | | (2 526 038) | (241 671) |
| | | <u>(1 019 319 926)</u> | <u>(715 875 108)</u> |
| Undefined difference compared to the cash generated from operations note | | (20 447 232) | - |
| Net cash flows from operating activities | 26 | <u>657 103 335</u> | <u>665 560 544</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 3 | (635 159 667) | (514 690 574) |
| Loss on sale of assets | 4 | 75 092 | - |
| Proceeds from sale of assets held for sale | | 513 378 | - |
| | | <u>(634 571 197)</u> | <u>(514 690 574)</u> |
| Cash flows from financing activities | | | |
| Finance lease payments | | (5 861 775) | (327 326) |
| | | <u>(5 861 775)</u> | <u>(327 326)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 16 670 363 | 123 542 644 |
| Cash and cash equivalents at the beginning of the year | | 131 303 661 | 7 761 017 |
| Cash and cash equivalents at the end of the year | 9 | <u>147 974 024</u> | <u>131 303 661</u> |

The accounting policies on pages 17 to 41 and the notes on pages 42 to 90 form an integral part of the annual financial statements.

* See Note 41

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|------------------------|---------------------|------------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Performance | | | | | | |
| Revenue | | | | | | |
| Revenue from exchange transactions | | | | | | |
| Service charges - Water revenue | 176 775 000 | - | 176 775 000 | 167 688 463 | (9 086 537) | A |
| Service charges - Sanitation revenue | 36 518 000 | - | 36 518 000 | 33 242 359 | (3 275 641) | B |
| Service charges - Fire | 1 000 000 | - | 1 000 000 | 1 244 100 | 244 100 | C |
| Interest on outstanding debtors | 31 581 000 | - | 31 581 000 | 44 533 707 | 12 952 707 | D |
| Interest received - investment | 6 500 000 | 1 500 000 | 8 000 000 | 13 200 187 | 5 200 187 | E |
| Total revenue from exchange transactions | 252 374 000 | 1 500 000 | 253 874 000 | 259 908 816 | 6 034 816 | |
| Revenue from non-exchange transactions | | | | | | |
| Transfer revenue | | | | | | |
| Government grants & subsidies | 858 918 000 | - | 858 918 000 | 853 360 146 | (5 557 854) | F |
| Other transfer revenue 2 | 87 336 000 | 70 000 | 87 406 000 | 1 244 100 | (86 161 900) | G |
| Total revenue from non-exchange transactions | 946 254 000 | 70 000 | 946 324 000 | 854 604 246 | (91 719 754) | |
| Total revenue | 1 198 628 000 | 1 570 000 | 1 200 198 000 | 1 114 513 062 | (85 684 938) | |
| Expenditure | | | | | | |
| Employee related costs | (411 623 000) | 43 908 545 | (367 714 455) | (389 746 861) | (22 032 406) | H |
| Remuneration of councillors | (12 307 750) | 1 070 000 | (11 237 750) | (13 223 521) | (1 985 771) | I |
| Debt impairment | (24 122 000) | - | (24 122 000) | (28 395 821) | (4 273 821) | J |
| Depreciation and amortisation | (184 688 000) | - | (184 688 000) | (177 983 238) | 6 704 762 | K |
| Impairment loss and write off | - | - | - | (45 763 306) | (45 763 306) | |
| Finance costs | - | - | - | (71 905 639) | (71 905 639) | |
| Bulk purchases | (272 840 000) | 55 000 000 | (217 840 000) | (172 303 250) | 45 536 750 | L |
| Contracted Services | (18 377 000) | (4 000 000) | (22 377 000) | (54 962 487) | (32 585 487) | M |
| Other materials | (109 219 000) | (55 573 176) | (164 792 176) | (179 547 590) | (14 755 414) | O |
| General Expenses | (204 443 000) | (59 521 000) | (263 964 000) | (172 390 106) | 91 573 894 | N |
| Total expenditure | (1 237 619 750) | (19 115 631) | (1 105 685 064) | (1 306 221 819) | (49 486 438) | |
| Operating deficit | (38 991 750) | (17 545 631) | (56 537 381) | (191 708 757) | (135 171 376) | |
| Gain on disposal of assets and liabilities | - | - | - | 75 092 | 75 092 | |
| Actuarial gains/losses | - | - | - | 20 550 060 | 20 550 060 | |
| Transfer Recognised - Capital | 553 699 000 | 102 410 000 | 656 109 000 | 585 014 026 | (71 094 974) | P |
| Surplus before taxation | 514 707 250 | 84 864 369 | 599 571 619 | 413 930 421 | (185 641 198) | |
| Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement | 514 707 250 | 84 864 369 | 599 571 619 | 413 930 421 | (185 641 198) | |

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|-------------|----------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Statement of Financial Position | | | | | | |
| Assets | | | | | | |
| Current Assets | | | | | | |
| Receivables from exchange transactions | 338 753 000 | - | 338 753 000 | 231 511 236 | (107 241 764) | Q |
| VAT receivable | - | - | - | 89 654 465 | 89 654 465 | R |
| Inventory | 15 549 000 | - | 15 549 000 | 7 566 324 | (7 982 676) | S |
| Consumer debtors | 298 579 000 | - | 298 579 000 | 149 544 757 | (149 034 243) | T |
| Other asset 1 | 11 304 000 | - | 11 304 000 | - | (11 304 000) | U |
| Cash and cash equivalents | 7 752 000 | - | 7 752 000 | 173 615 059 | 165 863 059 | V |
| | 671 937 000 | - | 671 937 000 | 651 891 841 | (20 045 159) | |
| Non-Current Assets | | | | | | |
| Property, plant and equipment | 4 802 348 000 | - | 4 802 348 000 | 5 350 898 337 | 548 550 337 | W |
| Intangible assets | 10 242 000 | - | 10 242 000 | 7 420 649 | (2 821 351) | X |
| Heritage assets | 432 000 | - | 432 000 | 432 000 | - | Y |
| Assets held for sale | - | - | - | 15 504 | 15 504 | Z |
| | 4 813 022 000 | - | 4 813 022 000 | 5 358 766 490 | 545 744 490 | |
| Total Assets | 5 484 959 000 | - | 5 484 959 000 | 6 010 658 331 | 525 699 331 | |
| Liabilities | | | | | | |
| Current Liabilities | | | | | | |
| Loans from economic entities | 1 061 000 | - | 1 061 000 | - | (1 061 000) | AA |
| Finance lease obligation | - | - | - | 1 176 553 | 1 176 553 | AB |
| Payables from exchange transactions | 531 127 000 | - | 531 127 000 | 1 311 981 511 | 780 854 511 | AC |
| Consumer deposits | - | - | - | 3 942 513 | 3 942 513 | 0.07 |
| Employee benefit obligation | - | - | - | 66 722 673 | 66 722 673 | AD |
| Unspent conditional grants and receipts | - | - | - | 51 833 960 | 51 833 960 | AE |
| Provisions | 5 588 000 | - | 5 588 000 | 58 607 259 | 53 019 259 | AF |
| Consumer deposits | 4 675 000 | - | 4 675 000 | 4 351 591 | (323 409) | AH |
| | 542 451 000 | - | 542 451 000 | 1 498 616 060 | 956 165 060 | |
| Non-Current Liabilities | | | | | | |
| Finance lease obligation | - | - | - | 4 784 829 | 4 784 829 | AI |
| Provisions | 57 937 000 | - | 57 937 000 | 18 626 445 | (39 310 555) | AJ |
| Provision for landfill site | - | - | - | 12 560 076 | 12 560 076 | |
| | 57 937 000 | - | 57 937 000 | 35 971 350 | (21 965 650) | |
| Total Liabilities | 600 388 000 | - | 600 388 000 | 1 534 587 410 | 934 199 410 | |
| Net Assets | 4 884 571 000 | - | 4 884 571 000 | 4 476 070 921 | (408 500 079) | |

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|----------------------|-------------|----------------------|--|---|-----------|
| Figures in Rand | | | | | | |
| Net Assets | | | | | | |
| Net Assets Attributable to Owners of Controlling Entity | | | | | | |
| Reserves | | | | | | |
| Accumulated surplus | 4 884 571 000 | - | 4 884 571 000 | 4 480 013 434 | (404 557 566) | |
| Undefined Difference | - | - | - | (3 942 513) | (3 942 513) | |
| Total Net Assets | 4 884 571 000 | - | 4 884 571 000 | 4 480 013 434 | (404 557 566) | |

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|----------------------|--------------------|------------------------|------------------------------------|--|-----------|
| Figures in Rand | | | | | | |
| Cash Flow Statement | | | | | | |
| Cash flows from operating activities | | | | | | |
| Receipts | | | | | | |
| Service charges | 214 293 000 | - | 214 293 000 | - | (214 293 000) | AK |
| Government - operating | 858 918 000 | - | 858 918 000 | 595 940 178 | (262 977 822) | AL |
| Government - capital | 553 699 000 | 101 600 000 | 655 299 000 | 249 594 111 | (405 704 889) | AM |
| Interest income | 6 500 000 | 1 500 000 | 8 000 000 | 1 781 712 | (6 218 288) | AN |
| Other receipts | 87 336 000 | 70 000 | 87 406 000 | 437 817 | (86 968 183) | AO |
| | 1 720 746 000 | 103 170 000 | 1 823 916 000 | 847 753 818 | (976 162 182) | |
| Payments | | | | | | |
| Suppliers and employee costs | (1 016 060 000) | (40 744 000) | (1 016 060 000) | (538 235 139) | 477 824 861 | AP |
| Net cash flows from operating activities | 704 686 000 | 62 426 000 | 807 856 000 | 309 518 679 | (498 337 321) | |
| Cash flows from investing activities | | | | | | |
| Capital assets | (615 241 000) | 106 816 000 | (508 425 000) | (268 882 492) | 239 542 508 | AQ |
| Net increase/(decrease) in cash and cash equivalents | 89 445 000 | 169 242 000 | 299 431 000 | 40 636 187 | (258 794 813) | |
| Cash and cash equivalents at the beginning of the year | 7 752 000 | - | 7 752 000 | 131 303 661 | 123 551 661 | |
| Cash and cash equivalents at the end of the year | 97 197 000 | 169 242 000 | 307 183 000 | 171 939 848 | (135 243 152) | |

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position only when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Significant judgements include:

Trade receivables or loans and receivables

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

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

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

Fair value estimation

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 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. 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.

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.

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 36.

Effective interest rate

The municipality used the prime interest rate of 10.25% to discount future cash flows, where the effect of time value of money is material, unless otherwise stated

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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.

Cash and Cash equivalents

Cash and Cash equivalents are measured at cost.

Cash includes cash on hand cash with banks. Cash equivalents are short term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks

Long-term liabilities

Liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost using the effective interest rate method.

Events after balance sheet date

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet date that are indicative of conditions that arose after the Balance Sheet date are disclosed by way of note to the Financial Statements

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

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.

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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 subsequently carried at cost less accumulated depreciation and any impairment losses, except land which is not depreciated.

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

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

| Item | Average useful life |
|----------------------------------|---------------------|
| Land | Indefinite |
| Buildings | 10 - 30 years |
| Plant and machinery | 4 - 10 years |
| Furniture and fixtures | 5 - 7 years |
| Motor vehicles | 7 - 15 years |
| Information Technology Equipment | 4 years |
| Specilised vehicles | 15 years |
| Water reservoir reticulation | 5 - 60 years |
| Sewerage purification | 5 - 60 years |

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

Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease. The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is ready for use.

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

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

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

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

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Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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).

Derecognition

The carrying amount of an item of property, plant and equipment is 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 an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets

1.6 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

1.7 Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets

Initial recognition

- Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.
- Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

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Accounting Policies

1.7 Intangible assets (continued)

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.

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

| Item | Useful life |
|-------------------------|-------------|
| Licenses and franchises | 5 years |
| Computer software | 5 years |
| Blyde Water Utility | 20 years |
| • | |

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 determined as the difference between the net disposal proceeds and the carrying value. Such difference is recognised in surplus or deficit when the intangible asset is derecognised.

1.8 Heritage assets

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

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Accounting Policies

1.8 Heritage assets (continued)

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Derecognition

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

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

1.9 Financial instruments

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

Financial instruments comprise of financial assets and liabilities in accordance with GRAP 104.

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

A residual interest is any contract that entitles the holder to an interest in the assets of an municipality after deducting all of its liabilities net assets

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

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

A financial asset is:

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

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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 |
|-----------------------------|--|
| Trade and other receivables | Financial asset measured at fair value |

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 |
|---|--|
| Lease liability | Financial liability measured at amortised cost |
| Trade payables from exchange transactions | Financial liability measured at fair value |

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.

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

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

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

Receivables from exchange transactions

Trade and other receivables are initially designated at fair value

Short-term receivables with no stated interest is to be measured at the original invoice amount if the effect of discounting is immaterial

Payables from exchange transactions

Financial liabilities consist of trade payables. They are categorised as financial liabilities held at fair value

Short-term payables with no stated interest rate is to be measured at the original invoice amount if the effect of discounting is immaterial

Cash and cash equivalents

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

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

Reclassification

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

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Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

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

Gains and losses

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

Impairment and uncollectability of financial assets:

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 net surplus or deficit. Objective evidence that a financial asset or group of assets is impaired can be as a result of the occurrence of one or more of the following:

(a) Significant financial difficulty experienced by the borrower/debtor

- Delay in payments (including interest payments) or failure to pay/defaults
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or the financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - The payment status of borrowers/debtors in the group has deteriorated (e.g an increased number of delayed payments); or
 - National or local economic conditions that are in line with non-payments in the group (e.g an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in the market conditions that affect the borrowers/debtors in the group).
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can afford to pay. The municipality would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that water supply is a basic human right.

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 net surplus or deficit.

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Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

If the municipality has not transferred substantially all of the risks and rewards of ownership of the financial asset, it should continue to recognise the asset.

Financial liabilities

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

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

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 net 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 net surplus or deficit.

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

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.

1.10 Leases

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

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

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1.10 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.11 Inventories

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

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs. After inventory is assessed at the end of the year, obsolete items are written down using the market value of the inventory items.

Water Inventory

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1.11 Inventories (continued)

Water is regarded as inventory when the Municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the Municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, and is under the control of the Municipality but cannot be measured reliably as there is no cost attached to the water, and it is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

1.12 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-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 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 of 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:

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.

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1.12 Impairment of cash-generating assets (continued)

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.

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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1.12 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality 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.

1.13 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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.

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

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:

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.

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:

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

The municipality 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.

1.14 Employee benefits

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

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.

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

The entity recognise the expected cost of bonus, incentive and performance related payments when the 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.

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1.14 Employee benefits (continued)

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.

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.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

The municipality provides retirement benefits to employees and councillors through the contributions made to designated retirement or pension funds

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1.14 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

The municipality provides post employment medical care benefits to retired employees after completion of a minimum service period. The expected cost of these benefits is accrued over the life expectancy of the retired employees.

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees.

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.

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.

The municipality has no palm assets against the defined benefit obligation..

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 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;
- actuarial gains and losses;
- past service cost;

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 prescribed by GRAP 25.

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.

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1.14 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.

Accumulated leave days

Accumulated leave benefit accrues to employees up to maximum of 48 leave days, any excess days are forfeited. The benefits are paid in the events of death, disability, retrenchment or/and retirement.

The liability is recognised as an accrual in the statement of financial position

Bonus Accrual

The Municipality recognises bonuses that have accrual to employees when there is a present legal or constructive obligation to make such payment and a reliable estimate can be made at reporting date

1.15 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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1.15 Provisions and contingencies (continued)

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when an entity:

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

Environmental Rehabilitation Provisions

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the Municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance

1.16 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

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1.17 Revenue from exchange transactions

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

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

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

Measurement

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

Sale of goods

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

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

Service charges

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly

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

Interest income

Revenue arising from the use by others of entity assets yielding interest 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.

1.18 Revenue from non-exchange transactions

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

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

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1.18 Revenue from non-exchange transactions (continued)

Conditional Grants

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

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

Value Added Tax

The VAT is accounted for on an accrual basis and payable on the cash basis.

Fines

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

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.19 Comparative figures

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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Accounting Policies

1.20 Unauthorised expenditure (continued)

- 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.

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

1.23 Transfers and subsidies - non exchange expenditure

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.24 Budget information

Municipality annual budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements.

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

1.25 Related parties

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

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Management is regarded as a related party and comprises the councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, executive directors and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

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

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

1.26 Events after reporting date

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

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

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Accounting Policies

1.26 Events after reporting date (continued)

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

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

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

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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property (IAS 40) as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

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2. New standards and interpretations (continued)

- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 21 (as amended 2016): Impairment of non-cash-generating assets

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 26 (as amended 2016): Impairment of cash-generating assets

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 31 (as amended 2016): Intangible Assets

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2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities

Historically, public entities have prepared financial statements in accordance with generally recognised accounting practice, unless the Accounting Standards Board (the Board) approved the application of generally accepted accounting practice for that entity. "Generally accepted accounting practice" has been taken to mean Statements of Generally Accepted Accounting Practice (Statements of GAAP), or for certain entities, International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board. Since Statements of GAAP have been withdrawn from 1 December 2012, public entities will be required to apply another reporting framework in the future.

The purpose of this Directive is to prescribe the criteria to be applied by public entities in selecting and applying an appropriate reporting framework.

The effective date of the directive is for years beginning on or after 01 April 2018.

The municipality has adopted the directive for the first time in the 2018/2019 annual financial statements.

The impact of the directive is set out in note Changes in Accounting Policy.

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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 | 11 980 776 | - | 11 980 776 | 11 980 776 | - | 11 980 776 |
| Buildings | 152 017 156 | (77 846 364) | 74 170 792 | 152 017 156 | (71 520 705) | 80 496 451 |
| Work In Progress | 1 574 757 950 | - | 1 574 757 950 | 1 070 088 351 | - | 1 070 088 351 |
| Infrastructure | 7 422 562 890 | (3 581 390 475) | 3 841 172 415 | 7 397 000 259 | (3 425 727 102) | 3 971 273 157 |
| Other property, plant and equipment | 69 119 583 | (33 532 414) | 35 587 169 | 68 564 513 | (29 401 559) | 39 162 954 |
| Other leased Assets | 59 444 151 | (2 927 513) | 56 516 638 | 6 856 164 | (488 868) | 6 367 296 |
| Total | 9 289 882 506 | (3 695 696 766) | 5 594 185 740 | 8 706 507 219 | (3 527 138 234) | 5 179 368 985 |

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3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

| | Opening balance | Additions | Transfers | Write Off's | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| Land | 11 980 776 | - | - | - | - | - | 11 980 776 |
| Buildings | 80 496 451 | - | - | - | (6 325 659) | - | 74 170 792 |
| Work in progress | 1 070 088 351 | 578 784 339 | (74 114 740) | - | - | - | 1 574 757 950 |
| Infrastructure | 3 971 273 157 | 79 902 310 | - | (28 567 915) | (164 239 826) | (17 195 311) | 3 841 172 415 |
| other property, plant and equipment | 39 162 954 | 555 070 | - | - | (4 130 855) | - | 35 587 169 |
| leased Assets | 6 367 296 | 52 587 988 | - | - | (2 438 646) | - | 56 516 638 |
| | 5 179 368 985 | 711 829 707 | (74 114 740) | (28 567 915) | (177 134 986) | (17 195 311) | 5 594 185 740 |

Reconciliation of property, plant and equipment - 2018

| | Opening balance | Additions | Transfers | Write Offs | Prior error adjustment | Depreciation | Impairment loss | Total |
|-------------------------------------|----------------------|--------------------|---------------------|--------------------|------------------------|----------------------|---------------------|----------------------|
| Land | 11 980 776 | - | - | - | - | - | - | 11 980 776 |
| Buildings | 86 382 699 | 801 403 | - | - | (341 229) | (6 346 422) | - | 80 496 451 |
| Work In Progress | 686 388 759 | 463 699 666 | (84 722 774) | - | 6 679 749 | - | (1 957 049) | 1 070 088 351 |
| Infrastructure | 4 081 591 331 | 70 442 031 | - | (7 742 116) | 15 004 536 | (163 674 864) | (24 347 761) | 3 971 273 157 |
| Other property, plant and equipment | 35 657 361 | 7 277 900 | - | - | 338 943 | (4 111 250) | - | 39 162 954 |
| leased Assets | - | 6 755 158 | - | - | 63 716 | (451 578) | - | 6 367 296 |
| | 4 902 000 926 | 548 976 158 | (84 722 774) | (7 742 116) | 21 745 715 | (174 584 114) | (26 304 810) | 5 179 368 985 |

Pledged as security

None of the Property, Plant and Equipment has been pledged as security for any liability.

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3. Property, plant and equipment (continued)

Assets subject to finance lease (Net carrying amount)

| | | |
|----------------------------|-------------------|------------------|
| Motor vehicles | 57 229 225 | - |
| Photo Copy Machines-Leased | 5 321 238 | 6 367 296 |
| | 62 550 463 | 6 367 296 |

The municipality has entered into an instalment sale agreement with Bertobright for leasing of Fleet to be used by Water Services for a period of 36 Months. The lease started in the financial period under review. At the end of the leased period, the fleet will be transferred to the municipality.

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

| | | |
|----------------------|----------------------|----------------------|
| Buildings | 32 057 902 | 26 417 901 |
| Water infrastructure | 1 315 554 102 | 838 692 753 |
| Sewer infrastructure | 227 145 772 | 204 977 694 |
| | 1 574 757 776 | 1 070 088 348 |

Included in the WIP is an amount of R22 999 741.54 for giyani sewer works project which MDM is unable capitalise due to additional work done by DWS as part of the ministerial intervention. The plant is currently in operation however MDM is failing to capitalize it as a portion of work was completed by DWS. The municipality is awaiting transfer of work done by DWS to be able to capitalize the project. The depreciated amount for WIP constructed by MDM is estimated to be around R4 500 000. DWS has indicated that the project will only be handed over once the entire programme is complete.

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

| | | |
|--|--------------------|--------------------|
| Upgrading of Senwamokgope Sewage Plant | 21 551 662 | 21 551 662 |
| Refurbishment of Nkowankowa Sewer Plant | 5 706 000 | 5 706 000 |
| Refurbishment of Phalaborwa Sewer Plant | 6 083 100 | 6 083 100 |
| Refurbishment of Sewer Sludge Pump | 5 352 985 | 5 352 985 |
| Sekgosese Ground Water Development scheme | 6 781 442 | 6 781 442 |
| Construction of water reticulation in Ga - Wally village | 4 650 971 | 4 650 971 |
| Upgrade of water reticulation GTM | 15 740 464 | 15 740 464 |
| Kampersrus Water Supply | 32 780 364 | 32 780 364 |
| Refurbishment Nkambako Regional water scheme | 17 140 112 | 17 140 112 |
| Refurbishment DWAF | 10 269 856 | 10 269 856 |
| Refurbishment - Giyani Water Works | 17 464 513 | 17 464 513 |
| Upgrading of Sasekani Water Reticulation | 2 679 764 | 2 679 764 |
| Nwamitwa MPCC | 26 417 900 | 26 417 900 |
| | 172 619 133 | 172 619 133 |

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

| | | |
|---|-------------------|-------------------|
| Buildings | 54 940 945 | 54 940 945 |
| The municipality abandoned construction of new office building at the Tzaneen Disaster Centre due to termination of service provider (Kgafela Construction) which subsequently let to Litigation. | | |
| | 54 940 945 | 54 940 945 |

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3. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

| | Included within Infrastructure (Sewer) | Included within Infrastructure (Water) | Included within Buildings | Total |
|--------------------------------|--|--|------------------------------|----------------------|
| Opening balance | 204 977 694 | 838 692 753 | 26 417 901 | 1 070 088 348 |
| Additions/capital expenditure | 22 168 077 | 550 976 088 | 5 640 001 | 578 784 166 |
| Transferred to completed items | - | (74 114 740) | - | (74 114 740) |
| | 227 145 771 | 1 315 554 101 | 32 057 902 | 1 574 757 774 |

Reconciliation of Work-in-Progress 2018

| | Included within Infrastructure (Sewer) | Included within Infrastructure (Water) | Included within Buildings | Total |
|--------------------------------|--|--|------------------------------|----------------------|
| Opening balance | 172 207 186 | 485 806 623 | 28 374 950 | 686 388 759 |
| Additions/capital expenditure | 32 770 508 | 430 929 155 | - | 463 699 663 |
| Prior period adjustment | - | 6 679 749 | - | 6 679 749 |
| Impairment loss | - | - | (1 957 049) | (1 957 049) |
| Transferred to completed items | - | (84 722 774) | - | (84 722 774) |
| | 204 977 694 | 838 692 753 | 26 417 901 | 1 070 088 348 |

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

| | | |
|---------------------------------------|--------------------|--------------------|
| Repairs and maintenance (PPE portion) | 125 435 612 | 106 429 438 |
| Other repairs | 53 758 119 | 45 612 616 |
| | 179 193 731 | 152 042 054 |

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.

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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 | 1 577 760 | (1 416 021) | 161 739 | 1 577 760 | (1 267 422) | 310 338 |
| Blyde Utility | 7 576 414 | (1 399 136) | 6 177 278 | 7 576 414 | (699 568) | 6 876 846 |
| Total | 9 154 174 | (2 815 157) | 6 339 017 | 9 154 174 | (1 966 990) | 7 187 184 |

Reconciliation of intangible assets - 2019

| | Opening balance | Amortisation | Total |
|--------------------------|------------------|------------------|------------------|
| Computer software, other | 310 338 | (148 599) | 161 739 |
| Blyde Utility | 6 876 846 | (699 568) | 6 177 278 |
| | 7 187 184 | (848 167) | 6 339 017 |

Reconciliation of intangible assets - 2018

| | Opening balance | Amortisation | Total |
|--------------------------|------------------|------------------|------------------|
| Computer software, other | 458 937 | (148 599) | 310 338 |
| Blyde Utility | 7 576 414 | (699 568) | 6 876 846 |
| | 8 035 351 | (848 167) | 7 187 184 |

Pledged as security

Carrying value of intangible assets pledged as security:

The municipality has acquired rights to use a pipeline owned by the Blyde Utility company to convey water from the blyde dam to Hoedspruit. The period of usage will elapse in year 31 March 2028

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5. Heritage assets

| | 2019 | | | 2018 | | |
|---------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Mayoral Chain | 432 000 | - | 432 000 | 432 000 | - | 432 000 |

Reconciliation of heritage assets 2019

| | Opening balance | Total |
|---------------|--------------------|---------|
| Mayoral Chain | 432 000 | 432 000 |

Reconciliation of heritage assets 2018

| | Opening balance | Total |
|---------------|--------------------|---------|
| Mayoral chain | 432 000 | 432 000 |

6. Inventories

| | | |
|------------------------------|--------------------------|--------------------------|
| Consumable stores | 17 071 852 | 16 448 374 |
| Greater Tzaneen Municipality | 58 042 | 61 441 |
| Greater Letaba Municipality | 19 249 | 56 618 |
| | <u>17 149 143</u> | <u>16 566 433</u> |
| Inventories (write-downs) | (2 713 192) | (2 713 192) |
| | <u>14 435 951</u> | <u>13 853 241</u> |

Inventories recognised as an expense during the year - 18 843 619

7. Receivables from exchange transactions

| | | |
|-------------------|-----------|-----------|
| Staff Debtors | 488 381 | 389 918 |
| Service Providers | 1 252 140 | 3 370 480 |

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|--|------------------------|----------------------|
| 7. Receivables from exchange transactions (continued) | | |
| Interest receivable | 1 107 839 | 865 962 |
| RBIG Project - Mamefja Sekororo | 8 197 005 | 2 578 028 |
| Greater Tzaneen Municipality | 988 279 | 11 632 |
| Ba - Phalaborwa Municipality | 261 808 163 | 235 457 563 |
| VAT Receivables | 80 263 645 | 60 039 154 |
| Eskom - Deposits | 7 654 020 | 3 521 770 |
| Consumer debtors - Water and Sanitation | 136 414 569 | 79 603 417 |
| | 498 174 041 | 385 837 924 |
| | | |
| RBIG Project - Mamefja Sekororo | | |
| Mopani District Municipality has an agreement with DWS to play an role of implementing Regional Bulk Infrastructure project on behalf of Department of Water and Sanitation, under the agreement MDM will manage the implementation of construction of region bulk infrastructure on behalf of the department. The current receivable relates to the project at Mamefja Sekororo area. | | |
| Consumer debtors | | |
| Consumer debtors includes water and sewer debtors refer to note 7 below for full disclosure. | | |
| 8. Consumer debtors | | |
| Gross balances | | |
| Water | 968 345 850 | 848 808 061 |
| Sewerage | 196 937 202 | 166 516 316 |
| Total gross balances | 1 165 283 052 | 1 015 324 377 |
| Less: Allowance for impairment | | |
| Water | (855 195 253) | (781 336 593) |
| Sewerage | (173 925 215) | (154 384 367) |
| Total allowance for impairments | (1 029 120 468) | (935 720 960) |
| Net balance | | |
| Water | 113 150 596 | 67 471 469 |
| Sewerage | 23 011 986 | 12 131 948 |
| Total net balance | 136 162 582 | 79 603 417 |
| Water | | |
| Current (0 -30 days) | 20 409 378 | 6 991 013 |
| 31 - 60 days | 13 427 872 | 8 903 735 |
| 61 - 90 days | 10 798 023 | 3 988 027 |
| 91 - 120 days | 8 271 356 | 3 238 833 |
| 121 - 365 days | 11 084 960 | 10 085 641 |
| > 365 days | 745 633 660 | 815 600 813 |
| Total | 809 625 249 | 848 808 062 |
| Sewerage | | |
| Current (0 -30 days) | 1 333 565 | 3 567 950 |
| 31 - 60 days | 890 663 | 1 565 834 |
| 61 - 90 days | 1 033 308 | 2 348 848 |
| 91 - 120 days | 985 308 | 2 847 249 |
| 121 - 365 days | 1 061 147 | 3 249 523 |
| 121 - 365 days | 61 420 455 | 152 936 910 |
| Total | 66 724 446 | 166 516 314 |
| Reconciliation of allowance for impairment | | |
| Balance at beginning of the year | (610 288 726) | (610 228 726) |
| Contributions to allowance | (65 967 707) | (327 690 857) |

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|--|----------------------|----------------------|
| 8. Consumer debtors (continued) | | |
| Debt impairment written off against allowance | 2 198 623 | 2 198 623 |
| Total | (674 057 810) | (935 720 960) |
| Consumer debtors per local municipality | | |
| Maruleng Municipality | - | 1 553 190 |
| Ba-Phalaborwa | - | 721 215 209 |
| Greater Tzaneen Municipality | 108 657 919 | 96 363 435 |
| Greater Giyane Municipality | 131 945 348 | 129 962 724 |
| Greater Letaba Municipality | 73 658 207 | 66 229 819 |
| Total | 314 261 474 | 1 015 324 377 |

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9. Cash and cash equivalents

Cash and cash equivalents consist of:

| | | | |
|---------------------|--------------------|--------------------|-------|
| Short term deposits | | 448 | 5 502 |
| Bank balances | 161 635 761 | 131 298 159 | |
| Total | 161 636 209 | 131 303 661 | |

The municipality had the following bank accounts

| Account number / description | Bank statement balances | | | Cash book balances | | |
|------------------------------|-------------------------|--------------------|------------------|--------------------|--------------------|------------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
| ABSA BANK - 40-5277-1364 | 61 309 854 | 18 021 112 | 5 431 485 | 61 309 853 | 18 021 112 | 5 431 485 |
| ABSA BANK - 40-8091-1671 | 31 108 827 | 32 405 565 | 2 083 248 | 31 108 827 | 32 405 565 | 2 083 248 |
| ABSA BANK - 40-8091-1613 | 69 217 081 | 80 871 817 | 237 738 | 69 216 746 | 80 871 817 | 237 738 |
| Growbus -- 40-8937-0832 | 448 | 5 502 | - | 448 | 5 502 | - |
| Total | 161 636 210 | 131 303 996 | 7 752 471 | 161 635 874 | 131 303 996 | 7 752 471 |

10. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

| | | |
|--------------------------------------|--------------------|-------------------|
| Municipal Infrastructure Grant (MIG) | 47 722 523 | 27 011 629 |
| Water Services Infrastructutre Grant | 28 852 551 | 65 095 840 |
| Drought Relief - WISG | 27 126 732 | - |
| Total | 103 701 806 | 92 107 469 |

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| 11. Payables from exchange transactions | | |
| Trade payables | 112 142 695 | 116 243 633 |
| Retentions | 103 466 848 | 57 629 953 |
| Leave accrual | 43 625 096 | 36 428 146 |
| Bonus accrual | 7 949 332 | 7 506 748 |
| Agency fees payables | 2 453 156 | 4 544 918 |
| Greater Letaba municipality | 82 211 468 | 71 111 963 |
| Greater Tzaneen municipality | 237 639 641 | 209 840 441 |
| Maruleng municipality | 26 375 287 | 24 003 740 |
| Lepelle Northern Water | 570 813 221 | 565 669 411 |
| Greater Giyani Municipality | 16 925 522 | 59 876 073 |
| Trade creditors at local municipalities | 13 423 835 | 5 519 449 |
| Department of Water and Sanitation | 379 465 465 | 324 197 144 |
| Nandoni Trade payables | 3 084 174 | 3 084 174 |
| SITA | 5 122 482 | 4 870 182 |
| Eskom Trade payables | 4 788 344 | 2 319 995 |
| Total | 1 609 486 566 | 1 492 845 970 |

Bonus accrual

All the municipality employees are entitled to 13th cheque as bonus on the anniversary of their employment date.

Leave accrual.

The municipality, in recognition of services rendered, grants employees 21 working days leave per year.. This leave is cumulative up to a limit of 48 working days.

There is no discounting is applied to the calculation of the annual leave provisions. The leave provision is based on the estimated salaries and is capped at 48 days.

Employee data

The information below is based on the membership data received from the municipality.

12. Consumer deposits

| | | |
|-------|------------------|------------------|
| Water | 3 942 513 | 4 351 591 |
| | 3 942 513 | 4 351 591 |

13. Revenue

| | | |
|---------------------------------|----------------------|----------------------|
| Service charges | 179 367 628 | 248 464 964 |
| Actuarial gains/losses | 20 550 060 | 7 385 988 |
| Interest on Outstanding Debtors | 44 533 707 | 106 083 702 |
| Other income | 1 244 435 | 1 559 291 |
| Interest received - investment | 13 200 187 | 5 437 907 |
| Government grants & subsidies | 1 438 374 172 | 1 227 524 126 |
| | 1 697 270 189 | 1 596 455 978 |

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

| | | |
|---------------------------------|--------------------|--------------------|
| Service charges | 179 367 628 | 248 464 964 |
| Interest on Outstanding Debtors | 44 533 707 | 106 083 702 |
| Other Income | 1 244 435 | 1 559 291 |
| Interest received - investment | 13 200 187 | 5 437 907 |
| | 238 345 957 | 361 545 864 |

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| 13. Revenue (continued) | | |
| The amount included in revenue arising from non-exchange transactions is as follows: | | |
| Taxation revenue | | |
| Transfer revenue | | |
| Government grants & subsidies | 1 438 374 172 | 1 227 524 126 |
| | <hr/> | <hr/> |
| 14. Service charges | | |
| Sale of water | 167 688 463 | 189 143 139 |
| Sewerage and sanitation charges | 11 679 165 | 59 321 825 |
| | <hr/> | <hr/> |
| | 179 367 628 | 248 464 964 |

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|---|----------------------|----------------------|
| 15. Interest and other income | | |
| Interest on Outstanding Debtors | 44 533 707 | 106 083 702 |
| 16. Other income | | |
| Auction | 513 378 | - |
| Sundry Income | 344 678 | 452 474 |
| Insurance claims | 207 548 | 68 964 |
| Reconnection fees | 94 852 | 147 085 |
| Tender fees | 83 979 | 890 768 |
| Total | 1 244 435 | 1 559 291 |
| 17. Government grants and subsidies | | |
| Operating grants | | |
| Equitable share grant | 838 574 919 | 759 546 553 |
| EPWP grant | 1 232 000 | 1 725 000 |
| Finance Management Grant (FMG) | 1 865 000 | 1 795 000 |
| LP - Health (EHP) | 11 294 250 | 10 674 000 |
| LGW SETA grant | 393 977 | 725 042 |
| LP Econ (Biosphere) grant | - | 216 000 |
| Total operating and capital grants | 853 360 146 | 774 681 595 |
| Capital grants | | |
| Municipal infrastructure grant (MIG) | 418 433 758 | 420 736 371 |
| Water Services Infrastructure Grant | 107 000 000 | 29 904 160 |
| Rural Roads Asset Management Grant | 2 207 000 | 2 202 000 |
| WSIG Drought Relief | 57 373 268 | - |
| | 585 014 026 | 452 842 531 |
| | 1 438 374 172 | 1 227 524 126 |
| Municipal Infrastructure Grant | | |
| Balance unspent at beginning of year | 27 011 629 | - |
| Current-year receipts | 444 492 281 | 447 748 000 |
| Conditions met - transferred to revenue | (418 433 758) | (420 736 371) |
| Unapproved portion of rollover | (5 347 629) | - |
| Total | 47 722 523 | 27 011 629 |
| The purpose of the grant is to improve access to basic service infrastructure for poor communities. | | |
| Finance management grant | | |
| Current-year receipts | 1 865 000 | 1 795 000 |
| Conditions met - transferred to revenue | (1 865 000) | (1 795 000) |
| Total | - | - |
| The purpose of this grant is to improve capacity in financial management | | |
| Rural transport grant | | |
| Balance unspent at beginning of year | - | 2 049 000 |
| Current-year receipts | 2 207 000 | 2 202 000 |
| Conditions met - transferred to revenue | (2 207 000) | (2 202 000) |
| Unapproved roll over | - | (2 049 000) |
| Total | - | - |

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17. Government grants and subsidies (continued)

The purpose of the grant is to improve data on rural roads to guide infrastructure development.

EHP Grant

| | | |
|---|--------------|--------------|
| Current-year receipts | 11 294 250 | 10 674 000 |
| Conditions met - transferred to revenue | (11 294 250) | (10 674 000) |
| | <u>-</u> | <u>-</u> |

The purpose of the grant is to subsidise the staff handover process from Department of Health to District Municipality, the staff will be performing duties as health inspectors..

LP Econ (Biosphere)

| | | |
|---|----------|-----------|
| Current-year receipts | - | 216 000 |
| Conditions met - transferred to revenue | - | (216 000) |
| | <u>-</u> | <u>-</u> |

The purpose of the grant is for the implementation of man and bio-sphere programs for the conservation of nature and sustainable uses of natural resources.

Extended public works programme grant

| | | |
|---|-------------|-------------|
| Current-year receipts | 1 232 000 | 1 725 000 |
| Conditions met - transferred to revenue | (1 232 000) | (1 725 000) |
| Total | <u>-</u> | <u>-</u> |

The purpose of the grant is to improve opportunities for sustainable employment due to experience and learning gained.

LGW SETA Grant

| | | |
|---|-----------|-----------|
| Current-year receipts | 393 977 | 725 042 |
| Conditions met - transferred to revenue | (393 977) | (725 042) |
| | <u>-</u> | <u>-</u> |

The purpose of this grant is to support staff development.

Water Service Infrastructure Grant

| | | |
|--|--------------------------|--------------------------|
| Balance unspent at beginning of year | 65 095 840 | 137 553 |
| Current-year receipts | 107 000 000 | 95 000 000 |
| Conditions met - transferred to revenue | (107 000 000) | (29 904 160) |
| Unapproved rollover - Taken against Equitable shares | (36 243 289) | (137 553) |
| | <u>28 852 551</u> | <u>65 095 840</u> |

The purpose of this grant is to support refurbishment of water services infrastructure projects.

Drought relief - WSIG

| | | |
|---|--------------------------|----------|
| Current-year receipts | 84 500 000 | - |
| Conditions met - transferred to revenue | (57 373 268) | - |
| | <u>27 126 732</u> | <u>-</u> |

Department of water and sanitation has granted Mopani a grant with a purpose of relieving communities with drought issues.

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| 18. Employee related costs | | |
| Basic | 217 877 697 | 205 213 289 |
| Bonus | 16 686 609 | 15 173 571 |
| Medical aid - company contributions | 11 407 086 | 11 153 604 |
| UIF | 1 506 025 | 1 452 876 |
| Workman compensation | 2 417 859 | 824 467 |
| SDL | 3 231 703 | 2 934 211 |
| Other allowances and levies | 10 174 192 | 11 744 731 |
| Post employments benefits | 141 076 | 1 326 780 |
| Defined contribution plans | 36 207 841 | 32 452 725 |
| Overtime payments | 45 903 154 | 41 641 172 |
| Long-service awards | 724 097 | 812 810 |
| Car allowance | 26 919 576 | 27 542 996 |
| Housing benefits and allowances | 5 279 383 | 5 763 212 |
| Leave redemption | 11 144 020 | (5 423 766) |
| Bargaining council | 14 964 | 15 724 |
| Cellphone allowance | 65 339 | 22 608 |
| Pensionable Allowance | - | 155 075 |
| Termination benefits | 46 240 | - |
| Total | 389 746 861 | 352 806 085 |
| Remuneration of municipal manager | | |
| Annual Remuneration | 1 237 388 | 1 023 885 |
| Car Allowance | 325 756 | 317 188 |
| Contributions to UIF, Medical and Pension Funds | - | 11 301 |
| Other | 32 400 | - |
| Total | 1 595 544 | 1 352 374 |
| Remuneration of chief finance officer | | |
| Annual Remuneration | 1 099 335 | 852 541 |
| Car Allowance | 174 000 | 168 000 |
| Contributions to UIF, Medical and Pension Funds | - | 9 269 |
| Total | 1 273 335 | 1 029 810 |
| Remuneration of director community services | | |
| Annual Remuneration | 1 110 482 | 855 408 |
| Car Allowance | 174 000 | 168 000 |
| Contributions to UIF, Medical and Pension Funds | - | 9 286 |
| Other | 47 000 | 10 800 |
| Total | 1 331 482 | 1 043 494 |
| Remuneration of director corporate services | | |
| Annual Remuneration | 979 200 | 634 091 |
| Car Allowance | 309 289 | 264 429 |
| Contributions to UIF, Medical and Pension Funds | - | 10 321 |
| Other | 15 000 | 159 199 |
| Total | 1 303 489 | 1 068 040 |
| Remuneration of director planning and development | | |
| Annual Remuneration | 1 230 488 | 969 999 |
| Car Allowance | 46 643 | 45 428 |
| Bonuses | - | 80 833 |

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| 18. Employee related costs (continued) | | |
| Contributions to UIF, Medical and Pension Funds | - | 9 900 |
| Other | 26 000 | - |
| Total | 1 303 131 | 1 106 160 |
| Remuneration of director water and engineering services | | |
| Annual Remuneration | 1 032 691 | 856 262 |
| Car Allowance | 245 000 | 240 000 |
| Contributions to UIF, Medical and Pension Funds | - | 9 604 |
| Other | 27 000 | - |
| Total | 1 304 691 | 1 105 866 |
| Remuneration of director water services | | |
| Annual Remuneration | - | 634 632 |
| Car Allowance | - | 423 088 |
| Contributions to UIF, Medical and Pension Funds | - | 192 029 |
| Other | - | 37 355 |
| Total | - | 1 287 104 |
| Director for water services resigned and was never replaced by the municipality. Water services and Engineering are now under one director. | | |
| Remuneration of director office of the executive Mayor | | |
| Annual Remuneration | 745 146 | 634 091 |
| Car Allowance | 175 388 | 423 629 |
| Contributions to UIF, Medical and Pension Funds | - | 206 981 |
| Other | 8 000 | 37 355 |
| Total | 928 534 | 1 302 056 |
| Executive Mayor's allowances - Until May 2019 | | |
| Annual Remuneration | 596 397 | 668 803 |
| Car Allowance | 191 454 | 165 611 |
| Other | 37 400 | 32 800 |
| Total | 825 251 | 867 214 |
| The Executive Mayor has been provided with a Council vehicle. Councillor Rakgoale role as Executive Mayor ended in May 2019 and was replaced by Councillor Shai P whom resumed responsibilities thereafter. | | |
| Speaker's allowances | | |
| Annual Remuneration | 491 023 | 503 603 |
| Car Allowance | 177 027 | 124 209 |
| Other | 40 800 | 32 800 |
| Total | 708 850 | 660 612 |

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18. Employee related costs (continued)

Remuneration of councillors 2019

| Councillor's Names | Salary | Cellphone Allowance | Travel Allowance | Advance/Pay back | Total |
|----------------------------|---------|---------------------|------------------|------------------|---------|
| Councillor NM Maswanganyi | 471 056 | 40 800 | 157 020 | 16 528 | 685 404 |
| Councillor CN Rakgoale | 574 359 | 37 400 | 191 454 | 22 038 | 825 251 |
| Councillor B Ramothwala | 9 778 | 257 | - | - | 10 035 |
| Councillor CM Ramathoka | 265 016 | 40 800 | - | 6 974 | 312 790 |
| Councillor D Malemela | 16 565 | - | - | 408 | 16 973 |
| Councillor DG Mushwana | 87 176 | 13 600 | - | - | 100 776 |
| Councillor FM Morwasehla | 331 621 | 40 800 | - | 8 950 | 381 371 |
| Councillor GA Maluleke | 331 621 | 40 800 | - | 8 950 | 381 371 |
| Councillor GH Modjadji | 459 613 | 40 800 | 153 206 | 3 921 | 657 540 |
| Councillor GM Malatji | 39 419 | - | - | 5 141 | 44 560 |
| Councillor JG Mashele | 331 621 | 40 800 | - | 8 950 | 381 371 |
| Councillor KI Rapatsa | 35 251 | - | - | 816 | 36 067 |
| Councillor KJ Malepe | 246 423 | 40 800 | 85 198 | 8 950 | 381 371 |
| Councillor M Mathedimo | 9 778 | - | - | 257 | 10 035 |
| Councillor MA Mathaba | 84 846 | - | - | 2 233 | 87 079 |
| Councillor MB Maenetsa | 3 216 | - | - | 161 | 3 377 |
| Councillor MC Mohale | 463 159 | 40 800 | 154 388 | 16 528 | 674 875 |
| Councillor MC Mkwashu | 34 272 | - | - | 734 | 35 006 |
| Councillor MD Maake | 354 204 | 40 800 | - | 8 950 | 403 954 |
| Councillor MD Popela | 9 778 | - | - | 257 | 10 035 |
| Councillor MF Madike | 9 778 | - | - | 257 | 10 035 |
| Councillor MF Manyama | 77 608 | - | - | 2 233 | 79 841 |
| Councillor MH Sefusi | 272 704 | 40 800 | 90 905 | 9 221 | 413 630 |
| Councillor MI Shimangefazi | 117 994 | - | - | 2 233 | 120 227 |
| Councillor ML Maloko | 255 767 | 40 800 | 85 259 | 9 221 | 391 047 |
| Councillor ML Mokgobi | 255 767 | 40 800 | 85 259 | 9 221 | 391 047 |
| Councillor MM Makwela | 18 809 | - | - | 286 | 19 095 |
| Councillor MMA Mathebula | 9 778 | - | - | 257 | 10 035 |
| Councillor MO Maswanga | 255 767 | 40 800 | 85 259 | 9 221 | 391 047 |
| Councillor MR Chauke | 265 016 | 40 800 | - | 6 974 | 312 790 |
| Councillor MR Maake | 9 778 | - | - | 257 | 10 035 |
| Councillor MR Nyakane | 152 558 | 23 800 | - | - | 176 358 |
| Councillor MV Mangoro | 9 778 | - | - | 257 | 10 035 |
| Councillor NA Sono | 446 222 | 40 800 | 148 742 | 16 528 | 652 292 |
| Councillor NH Zandamel | 446 222 | 40 800 | 148 742 | 16 528 | 652 292 |
| Councillor NM Mahasha | 45 737 | - | - | 938 | 46 675 |
| Councillor NN Baloyi | 450 204 | 40 800 | 150 070 | 16 528 | 657 602 |
| Councillor Osi ML Mogob | 30 480 | 10 164 | - | - | 40 644 |
| Councillor Osi SSS Seko | 30 480 | 10 164 | - | - | 40 644 |
| Councillor Osigad MJ Mam | 30 480 | 10 164 | - | - | 40 644 |
| Councillor Osigad MJ Se | 30 480 | 10 164 | - | - | 40 644 |
| Councillor PT Malatji | 246 423 | 40 800 | 85 198 | 8 950 | 381 371 |
| Councillor R Makasela | 9 778 | - | - | 257 | 10 035 |
| Councillor RE Pohl | 18 523 | - | - | 571 | 19 094 |
| Councillor SCT Shisinga | 19 788 | - | - | 367 | 20 155 |
| Councillor EJ Mathonsi | 450 204 | 40 800 | 150 070 | 16 528 | 657 602 |
| Councillor S MA Helm | 265 016 | 40 800 | - | 6 974 | 312 790 |
| Councillor S MM Makwela | 32 191 | - | - | 694 | 32 885 |
| Councillor SC Makwala | 23 786 | - | - | 612 | 24 398 |
| Councillor SI M Ntsanwi | 30 480 | 10 164 | - | - | 40 644 |
| Councillor SI MAM Hlane | 30 480 | 10 164 | - | - | 40 644 |
| Councillor SI MC Mathev | 30 480 | 10 164 | - | - | 40 644 |
| Councillor SI TLP Nwami | 30 480 | 10 164 | - | - | 40 644 |
| Councillor SJ Nkuna | 331 621 | 40 800 | - | 8 950 | 381 371 |
| Councillor SV Manganye | 6 432 | - | - | - | 6 432 |
| Councillor T Makhubela | 9 778 | - | - | 257 | 10 035 |
| Councillor TC Zitha | 9 778 | - | - | 257 | 10 035 |

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| 18. Employee related costs (continued) | | | | | |
| Councillor TJ Senyolo | 9 778 | - | - | 257 | 10 035 |
| Councillor TN Mthombeni | 9 778 | - | - | 257 | 10 035 |
| Councillor W D Sedibeng | 516 784 | 40 800 | 153 164 | 17 631 | 728 379 |
| Councillor XJ Valoyi | 9 778 | - | - | 257 | 10 035 |
| Councillor PJ Shai | 52 089 | - | - | - | 52 089 |
| Councillor Osigad MA SH | 30 480 | 10 164 | - | - | 40 644 |
| Councillor I Hlungwana | 177 840 | 27 200 | - | 3 487 | 208 527 |
| Councillor Kgosi Pheeha | 20 320 | 14 399 | - | 22 860 | 57 579 |
| Councillor MPT Maluleke | 90 664 | 17 155 | - | 23 696 | 131 515 |
| | 9 842 928 | 1 122 887 | 1 923 934 | 333 768 | 13 223 517 |

Remuneration per councillor - 2018

| Names | Salary | Cellphone Allowance | Travel Allowance | Advance/Back pay | Total |
|-------------------------|---------|---------------------|------------------|------------------|---------|
| Councillor NM Maswanga | 475 926 | 32 800 | 124 209 | 27 677 | 660 612 |
| Councillor B Ramathwala | 9 286 | - | - | 365 | 9 651 |
| Councillor CM Ramathoka | 251 659 | 28 800 | - | 21 869 | 302 328 |
| Councillor D Malemela | 22 880 | - | - | 4 640 | 27 520 |
| Councillor DG Mushwana | 251 659 | 28 800 | 21 869 | - | 302 328 |
| Councillor FM Moroatsh | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor GA Maluleke | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor GH Modjadji | 475 926 | 28 800 | 124 209 | 31 677 | 660 612 |
| Councillor GM Malatji | 42 642 | - | - | 9 280 | 51 922 |
| Councillor JG Mashele | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor KI Rapatsa | 35 502 | - | - | 9 280 | 44 782 |
| Councillor KJ Malepe | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor M Mathedimo | 9 286 | - | - | 365 | 9 651 |
| Councillor MA Mathaba | 80 591 | - | - | 3 161 | 83 752 |
| Councillor MB Maenetsa | 9 286 | - | - | 365 | 9 651 |
| Councillor MC Mohale | 475 926 | 28 800 | 124 209 | 31 677 | 660 612 |
| Councillor MC Mkwashu | 35 502 | - | - | 9 280 | 44 782 |
| Councillor MD Maake | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor MD Popela | 9 286 | - | - | 365 | 9 651 |
| Councillor MF Madike | 9 286 | - | - | 365 | 9 651 |
| Councillor MF Manyama | 80 591 | - | - | 3 161 | 83 752 |
| Councillor MH Sefusi | 263 950 | 28 800 | 68 775 | 25 048 | 386 573 |
| Councillor MI Shimange | 80 591 | - | - | 3 161 | 83 752 |
| Councillor ML Maloko | 263 950 | 28 800 | 68 775 | 25 048 | 386 573 |
| Councillor Mokgobi | 263 950 | 28 800 | 68 775 | 25 048 | 386 573 |
| Councillor MM Makwala | 35 850 | - | - | 6 960 | 42 810 |
| Councillor MMA Mathebu | 9 286 | - | - | 365 | 9 651 |
| Councillor MO Maswanga | 263 950 | 28 800 | 68 775 | 25 048 | 386 573 |
| Councillor MR Chauke | 251 659 | 28 800 | - | 21 869 | 302 328 |
| Councillor MR Maake | 9 286 | - | - | 365 | 9 651 |
| Councillor MR Nyakane | 251 659 | 28 800 | - | 21 869 | 302 328 |
| Councillor MV Mangoro | 9 286 | - | - | 365 | 9 651 |
| Councillor NA Sono | 475 926 | 28 800 | 124 209 | 69 934 | 698 869 |
| Councillor NH Zandamel | 475 926 | 28 800 | 124 209 | 69 934 | 698 869 |
| Councillor NM Mahasha | 47 278 | - | - | 12 528 | 59 806 |
| Councillor NN Baloyi | 475 926 | 28 800 | 124 209 | 69 934 | 698 869 |
| Councillor OSI LP Rapha | 14 380 | - | 4 793 | - | 19 173 |
| Councillor OSI ML Mogob | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor OSI SSS Seko | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor OSI MJ | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor OSI MJ Se | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor PT Malatji | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor R Makasela | 9 286 | - | - | 365 | 9 651 |
| Councillor RE Pohl | 29 556 | - | - | 8 352 | 37 908 |
| Councillor SCT Shising | 31 828 | - | - | 6 496 | 38 324 |
| Councillor SEJ Mathons | 475 926 | 28 800 | 124 209 | 31 667 | 660 602 |

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| 18. Employee related costs (continued) | | | | | |
| Councillor SMA Helm | 251 659 | 28 800 | - | 21 869 | 302 328 |
| Councillor S Mm Makwela | 26 844 | - | - | 5 568 | 32 412 |
| Councillor SC Makwala | 20 724 | - | - | 5 568 | 26 292 |
| Councillor Si M Ntsanwi | 22 143 | 3 388 | 3 994 | 1 535 | 31 060 |
| Councillor Si MAM Hlane | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor Si MC Mathev | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor SI TLP Nwami | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| Councillor SJ Nkuna | 322 964 | 28 800 | - | 24 665 | 376 429 |
| Councillor SV Manganye | 9 286 | - | - | 365 | 9 651 |
| Councillor T Makhubela | 9 286 | - | - | 365 | 9 651 |
| Councillor TC Zitha | 9 286 | - | - | 365 | 9 651 |
| Councillor TJ Senyolo | 9 286 | - | - | 365 | 9 651 |
| Councillor TN Mthobeni | 9 286 | - | - | 365 | 9 651 |
| Councillor W D Sedibeng | 507 654 | 32 800 | 132 489 | 28 988 | 701 931 |
| Councillor XJ Valoyi | 9 286 | - | - | 365 | 9 651 |
| Councillor CN Rakgoale | 634 568 | 32 800 | 165 611 | 34 235 | 867 214 |
| Councillor Osigad MA SH | 29 333 | 3 388 | 6 391 | 1 535 | 40 647 |
| | 10 029 403 | 762 492 | 1 524 447 | 862 771 | 13 179 113 |

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19. Depreciation and amortisation

Property, plant and equipment 177 983 238 175 237 652

The Municipality reviews the estimated useful lives of property, plant and equipment as at each reporting date. During the financial year, management has conducted condition assessment for the review of the useful life of certain items of property plant and equipment. The result of the assessment resulted in the Municipality recalculating the useful lives of assets starting from the prior year of 2017-18.

The financial effect of this reassessment is to decrease the consolidated depreciation expense in the prior financial year for the next 2 to 3 years depending on the type of assets

See prior period error note for full disclosure on useful adjustment.

20. Finance costs

| | | |
|-------------------------------------|-------------------|-------------------|
| Payables from exchange transactions | 70 160 762 | 40 174 649 |
| Interest on leased assets | 142 221 | 358 642 |
| Other interest paid | 1 602 656 | 494 901 |
| Employee benefit obligation | - | 6 654 741 |
| Landfill site provision | - | 974 185 |
| | 71 905 639 | 48 657 118 |

21. Debt impairment

Debt impairment 28 395 821 111 206 893

22. Bulk purchases

Water 172 303 250 179 755 374

23. Contracted services

Outsourced services

| | | |
|---------------------------------|------------|------------|
| Information Technology Services | 2 057 250 | 2 545 699 |
| Fleet Services | 6 295 381 | 4 912 895 |
| Operating Leases | 13 541 542 | 11 929 582 |
| Security Services | 31 720 481 | 25 395 845 |
| Other Contractors | 1 347 833 | 6 399 611 |

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| 24. General expenses | | |
| Advertising | 619 782 | 460 207 |
| Auditors remuneration | 5 172 414 | 4 204 324 |
| Bank charges | 212 137 | 173 597 |
| Consulting and professional fees | 67 929 219 | 40 314 747 |
| Fines and penalties | 17 987 | 64 004 |
| Insurance | 1 059 475 | 718 016 |
| Conferences and seminars | 135 780 | 392 672 |
| Levies | 3 564 684 | 4 066 238 |
| Motor vehicle expenses | 71 536 | 708 743 |
| Fuel and oil | 11 251 204 | 6 511 578 |
| Postage and courier | 7 385 | 1 857 |
| Protective clothing | 1 568 412 | 4 143 328 |
| Secretarial fees | 170 457 | - |
| Software expenses | 301 683 | 635 616 |
| Subscriptions and membership fees | 111 113 | 365 339 |
| Telephone and fax | 3 238 835 | 4 370 809 |
| Training | 731 321 | 500 649 |
| Travel - local | 19 204 940 | 19 383 562 |
| Electricity | 2 014 155 | 422 607 |
| Assets write off | 17 235 | - |
| Audit committee remuneration | 2 546 574 | 1 378 556 |
| Disaster relief funding | 1 067 623 | 539 226 |
| Community services | 1 835 401 | 2 524 725 |
| VIP toilets | 12 734 551 | 9 605 947 |
| Road management system | 1 925 008 | 2 619 064 |
| Performance management system | 1 045 300 | 501 758 |
| Consumable stores - Water | 5 409 467 | 11 100 088 |
| Chemicals | 1 134 477 | 6 374 547 |
| Other expenses | 27 291 951 | 22 051 919 |
| | 172 390 106 | 144 133 723 |
| 25. Auditors' remuneration | | |
| Fees | 5 172 414 | 4 204 324 |
| 26. Cash generated from operations | | |
| Surplus | 391 123 462 | 339 122 989 |
| Adjustments for: | | |
| Depreciation and amortisation | 177 983 238 | 175 857 563 |
| Impairment deficit | 45 763 306 | 34 046 925 |
| Losses due to write offs | - | 7 742 116 |
| Movements in provisions | 455 346 | (386 102) |
| Contribution to bad debt provision | (248 592 961) | 411 681 088 |
| Benefit vesting | (15 800 564) | (7 460 886) |
| Interest cost | 67 781 100 | 48 415 447 |
| Current service costs | - | 4 330 624 |
| Changes in working capital: | | |
| Inventories | (3 180 987) | 903 691 |
| Receivables from exchange transactions | (112 336 117) | (159 232 674) |
| Consumer debtors | 344 949 964 | (450 054 829) |
| Payables from exchange transactions | (2 227 711) | 108 227 165 |
| Unspent conditional grants and receipts | 11 594 337 | 89 920 916 |
| Consumer deposits | (409 078) | 311 871 |
| VAT Receivables | - | 69 876 754 |
| | 657 103 335 | 673 302 658 |

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| 27. Commitments | | |
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • Property, plant and equipment | 320 668 812 | 760 197 358 |
| Total capital commitments | | |
| Already contracted for but not provided for | 320 668 812 | 760 197 358 |
| Authorised operational expenditure | | |
| Already contracted for but not provided for | | |
| • Operational commitment | 73 272 460 | 18 495 286 |
| Total operational commitments | | |
| Already contracted for but not provided for | 73 272 460 | - |

This committed expenditure relates to property and operational activities and will be financed by available bank facilities, retained surpluses.

Capital and operational commitment relating to 2018 financial period has been restated.

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28. Contingent liabilities

Litigations are in process against the municipality relating to a number of disputes. The municipality's lawyers and management treat each case in its merits and does not see likelihood of this cases being successful..

| Pending Legal Cases | 2019 | 2018 |
|--|---------------|---------------|
| Matter between Flotek Pipes and MDM for breach of contract. summons issued. | R571 957.26 | R571 957.26 |
| Matter between Anna Magaretha Botha and MDM for the injury she sustained at a MDM sewage manhole in Modjadjiskloof. matter before high court. | R950 000.00 | R950 000.00 |
| Matter between Mahlare Martin Moswatsi and MDM for damages relating to car accident. Summos issued. | R27 700.68 | R27 700.68 |
| Matter between Esorfranki and MDM for incorrect tender awarding. Matter before high court. | R10 284 387 | R10 284 387 |
| Matter between Palm Kwekery and MDM for failure to prevent wildfire. Summons issued.. | R4 685 140 | R4 685 140 |
| Matter between JJ and Company Steel and MDM for failure to settle cession. | R1 680 499.05 | R1 680 499.05 |
| Civil – Cession: Plaintiff has issued simple summonses for the services rendered as a Sub Contractor at Nandoni pipeline project. | R939 641.11 | R939 641.11 |
| Matter between Oryx Pipes and MDM for payment of outstanding invoice. | R2 183 902.58 | R2 183 902.58 |
| Matter between Maite Nkoane and MDD seeking compensation relating to her car damages. Summons issued. | R37 384.18 | R37 384.18 |
| Matter between DWS and MDM relating to unserviced account for bulk water. summons issued | R175 645 917 | R175 645 917 |
| Borehole operators claims. Full list of operator claims on the register | R14 566 467 | R14 566 467 |
| Matter between EMC Consulting and MDM application for settlement of account | R29 730 284 | R29 730 284 |
| Matter between Kgafela Construction and MDM for termination of contract for the building of Offices in Tzannen. counter. | R43 611 996 | R43 611 996 |
| Civi Matter between TJ Machete Attorneys and MDM – Non-payment. a claim on the basis of a disputed invoice. | R931 520.58 | R931 520.58 |
| Civil- non-payment- a claim for work done | R4 500 135.99 | R4 500 135.99 |
| Civil – Cession: claim in the amount of R64 560-00 as a result of cession with Brick'n Motta Construction signed on the sanitation project in 2013/2014. | R64 650 | - |

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| 28. Contingent liabilities (continued) | | |
| Matter between KA Moshabela and MDM – Delict / vicarious liability. a letter of demand in the amount of R2m for loss of income, past and future medical expenses and damages. | R2 000 000 | R2 000 000 |
| Civil Mater- Matter between Becacon and MDM on the extension of time claim | R2 454 395 | R6 161 067 |
| Civil matter- Matter between Makgetsi and MDM | R 4 107 720 | R11 499 509 |
| Matter between Dr Mazana and MDM for accident due to road maintenance | R27 383.53 | - |
| Civil – Cession. claim based on a cession, Matter between BD Finance and MDM | R370 000 | R370 000 |
| Matter between Civcon Civils and MDM for damages and retention | R22 147 291 | - |
| Matter between TR Building a nd MDM for Nkowankowa Sewer Project | R3 262 474 | - |
| Matter between SGL Engineering and MDM for Nkowankowa Sewer Project | R2 412 437 | - |
| Matter between BMK Electro and MDM for unpaid work done | R4 673 570 | - |
| Matter Between Arena Venus and MDM for VIP Toilets unpaid claim | R348 000 | - |
| Matter between Trurikom SSS and MDM for termination of contract | R5 774 485 | - |
| Matter between Kwena Mokone and MDM for standing time claim | R7 951 151 | - |
| Civil claim based on cession between tainama jv civicon on the tours bulk water supply | R963 647.33 | - |
| A claim by MN Nengovhela for alleged work done at Senakwe project | R461 663.83 | - |
| Matter between Sebone Traffic Academy and MDM - Non payment of claim | R275 437 | - |
| Total contingent liability | R347 641 239 | R347 973 151 |

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|-----------------|------|------|

28. Contingent liabilities (continued)

Contingent assets

| Contingent assets | 2019 | 2018 |
|--|--------------|-------------|
| The MDM is suing Cane a Lot for fraudulently claiming funds not due to them.. The company was appointed to build 150 units of VIP Toilets. | R1 080 000 | R1 080 000 |
| MDM filed a review of appointment against Endecon Unbuntud on the Extension of Modjadji Water Works and the project value on appointment was R2 185 000-00 | R2 185 000 | R2 185 000 |
| Civil- overpayment MDM has sent a letter of demand for payment. | R629 519 | - |
| The municipality is suing the contractor and the contractor is counter suing MDM for cancellation of same contract. by Kgafela is R43 611 996-70. | R14 140 977 | R1 414 097 |
| Total contingent assets | R108 035 496 | R17 405 977 |

29. Related parties

Relationships

Accounting Officer

Refer to accounting officer's report note 19

Compensation to councillors

Note 19

Members of key management

Note 19

The municipality as a water distribution authority has appointed the five local municipalities to distribute water to local residences as distribution agent for which the local municipalities are entitled to a commission for service rendered. The municipalities accounts receivables and payables relating to water transactions are disclosed under separate section of the annual financial statements. Refer to disclosure note for Trade receivables and Trade payables for full details.

30. Going concern

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

Realisation of assets

The assets of the district are liquid and can be realised for market value as and when the need arises. This is a positive on the going concern assessment.

Contingent Obligations

The municipality does not equivalent cash reserves to honour the contingent obligations should they fall due. This is a negative on the going concern assessment.

Commitments

Commitments are mainly for work in progress projects that have ring fenced funding available for the project lifespan. This is a positive on the going concern assessment.

Further to confirm positive assessment of going concern, users are advised to take cognisance of the motivations below:

a) There is a commitment from National Treasury to fund the operations of the municipality through equitable share and conditional grants. This is substantiated by past practice and gazettes issued by National Treasury for the MTREF period under consideration.

b) There is no change in the legislation that impact on the municipality's ability to continue as a going concern;

c) There is plans to ensure that there is effective spending of funds.

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30. Going concern (continued)

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 secure funding through the national treasury. The most significant of these is that the accounting continues to secure funding through national treasury for the ongoing operations of the municipality. Other factors affecting going concern are as follows:

As at 30 June, the municipality's current assets exceed the current liabilities by Rxxxx resulting in the municipality to be technically insolvent. This fact on its own does bar the municipality to continue being a going concern given that going concern implies that the municipality will be in existence within 12 months of the balance sheet dates.

The following factors could have undermined the going concern assumptions indicated above if they were not properly managed as indicated.

a) The municipality is experiencing challenges of collecting own revenue from water and sanitation. This is due to weakness and controls involving management of revenue at the local municipalities since the latter are service providers and the district is the service authority. The district did not budget or commit this type of revenue in its budgetary assumptions. This is a positive to going concern assessment.

b) The municipality is servicing significant historic obligations that do not necessarily have source of funding other than the funding from National Treasury. These obligations include Lepelle Northern Water estimated at R562 813 221, Department of Water Affairs estimated at R349 465 465, as well as litigations and claims that come on an ad hoc basis. . The debt is restructure between current and non-current portion to afford matching of cash resources with cash obligations.

Based on the above assessment done, the district municipality is a going concern and thus should prepare its financial statements for the year ended 30 June 2019 under going concern assumptions. The Municipality will continue with its endeavours to increase revenue and reserve, as well as, reducing the financial commitments to ensure good financial health.

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31. Unauthorised expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 409 790 993 | 208 012 778 |
| Correction of prior period error | - | 201 778 215 |
| Opening balance as restated | 409 790 993 | 409 790 993 |
| Add: Unauthorised Expenditure - Current year | 164 078 770 | - |
| Closing balance | 573 869 763 | 409 790 993 |

The over expenditure incurred by municipal departments during the year

| | | |
|---|--------------------|--------------------|
| Executive Mayor and Council/Mayor & Council | 3 692 039 | 3 692 039 |
| Finance & Admin/Finance | 100 274 587 | 100 274 587 |
| Health | 247 535 | 247 535 |
| Community services | 2 593 881 | 2 593 881 |
| Electricity | 821 767 | 821 767 |
| Waste Water | 56 448 961 | 56 448 961 |
| | 164 078 770 | 164 078 770 |

32. Fruitless and wasteful expenditure

| | | |
|--|--------------------|--------------------|
| Opening balance as previously reported | 349 077 959 | 183 720 719 |
| Correction of prior period error | - | 165 357 240 |
| Opening balance as restated | 349 077 959 | 349 077 959 |
| Add: Fruitless and wasteful Expenditure - Current Year | 65 388 377 | - |
| Closing balance | 414 466 336 | 349 077 959 |

Expenditure identified in the current year include those listed below:

| | | |
|---|-------------------|-------------------|
| Interest paid to LWN on the historic debt | 37 649 628 | 37 649 628 |
| Interest paid to DWS | 26 330 381 | 26 330 381 |
| Interest paid on overdue account - Eskom | 63 820 | 63 820 |
| Interest paid on overdue account -Telkom | 2 412 | 2 412 |
| Interest paid to ABSA | 31 227 | 31 227 |
| Interest paid to Limpopo water initiative | 891 000 | 891 000 |
| Interest paid to Thompson (Ersofranki legal battle) | 401 909 | 401 909 |
| Overpayment of invoices | 18 000 | 18 000 |
| Interest paid to SARS | 367 150 | 367 150 |
| | 65 755 527 | 65 755 527 |

33. Irregular expenditure

| | | |
|---|----------------------|----------------------|
| Opening balance | 1 005 438 317 | 450 897 617 |
| Add: Irregular Expenditure - correction of prior year | - | 554 540 700 |
| Opening balance as restated | 1 005 438 317 | 1 005 438 317 |
| Add: Irregular Expenditure - Current year | 9 306 510 | - |
| Closing balance | 1 014 744 827 | 1 005 438 317 |

Incidents/cases identified in the current year include those listed below:

| | | |
|--|-------------------|-------------------|
| Extension of expired contracts | 8 281 346 | 8 281 346 |
| Appointment from irregular contract (Panel of contractors) | 87 578 807 | 87 578 807 |
| | 95 860 153 | 95 860 153 |

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34. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

| | | |
|---------------------------------|-------------|-------------|
| Current year subscription / fee | 3 546 531 | 4 066 238 |
| Amount paid - current year | (3 546 531) | (4 066 238) |
| | <u>-</u> | <u>-</u> |

Salga levies relating to 2018 financial period have been restated.

Distribution Losses

| | | |
|--|------------------|------------------|
| Opening balance | 41 529 482 | 49 760 250 |
| Current year subscription / fee | 41 529 482 | 29 283 992 |
| Percentage water losses at the plants (%) | <u>69</u> | <u>66</u> |

Mopani District Municipality as a water service authority has a service level agreement with local municipalities, the local municipalities distribute water on behalf Mopani District Municipality, above are the distribution losses incurred. The distribution loss percentage is high because it includes the following elements that comprise revenue water:

Unauthorised consumption

Overflow from water storage

Unbilled metered consumption.

Audit fees

| | | |
|---------------------------------|-----------|-----------|
| Current year subscription / fee | 5 172 414 | 4 204 324 |
|---------------------------------|-----------|-----------|

Audit fees relating to 2018 financial period have been restated..

PAYE, SDL and UIF

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 30 286 853 | 57 167 482 |
| Amount paid - current year | (30 286 853) | (57 167 482) |
| | <u>-</u> | <u>-</u> |

Pension and Medical Aid Deductions

| | | |
|---------------------------------|--------------|--------------|
| Current year subscription / fee | 42 994 404 | 54 655 337 |
| Amount paid - current year | (42 994 404) | (54 655 337) |
| | <u>-</u> | <u>-</u> |

VAT

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

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35. Deviation from supply chain management regulations

In terms of Section 36 of the Municipal Supply Chain Management Regulations, any deviation from the supply chain management policy needs to be approved/condoned by the Municipal Manager. The total deviations for the quarter amounted to **R9 306 510.51** (2018: R15 895 803.60) which has been tabled to council for noting in terms of Section 36(2). Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that deviations must be included as a note to the financial statements Major deviations related to emergency procurement of borehole spares and pipes in order to avoid interruption of essential service (water supply).

The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

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36. Employee benefit obligations

Defined benefit plan

Defined benefit plan for the municipality consists of post employment medical aid plan and Long service award. In accordance with prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2019 by ARCH

The municipality has no legal obligations to settle this liability with any immediate contributions or additional once off contributions. The municipality intends to contribute to each defined benefit post-retirement medical scheme in accordance with the latest recommendations of the actuary to each scheme

a. Post employment medical benefit plan (PEMA)

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependants. Some options also differentiate on the basis of income.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement.

All continuation members and their eligible dependants receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement the surviving dependants will not continue to receive a subsidy.

b. Long service award (LSA)

The municipality provides long-service award to its permanent employees

The Municipality offers employees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

In accordance with the prevailing legislation, the defined benefits funds are actuarially valued at intervals of not more than two years. The Projected Unit Credit valuation method is used. The latest valuation was performed as at 30 June 2018 by xxx

The benefits awarded for long term are calculated as follows

| Completed service (In years) | Long services Bonuses (% of annual Earnings) | Description |
|------------------------------|--|--------------------------|
| 10 years | 04.0% | 10/250 x annual earnings |
| 15 years | 08.0% | 20/250 x annual earnings |
| 20,25,30,35,40,45 years | 12.0% | 30/250 x annual earnings |

The municipality has no legal obligation to settle this liability with any immediate contributions or additional once-off contribution

Post retirement medical aid plan and Long service award

Valuation Method

The projected Unit Credit Funding method has been used to determine the past service liabilities at the valuation date and expense in the year following the valuation date.

Liability of employer

Liabilities of an employer may be split between a past-service (or accrued) element and a future-service element. This serves to recognise the manner in which the accounting standards suggest that the liabilities be accrued uniformly over an employee's period of service. The method of accrual that has been used in this valuation is based on length of service at the valuation date relative to total potential service until the expected retirement date.

Valuation assets

As at the valuation date, the medical aid liability and long service award of the Municipality are unfunded. (No dedicated assets have been set aside to meet this liability. We therefore did not consider any assets as part of our valuation

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| 36. Employee benefit obligations (continued) | | |
| The amounts recognised in the statement of financial position are as follows: | | |
| Carrying value | | |
| Present value of the defined benefit obligation-wholly unfunded - PEMA | (54 048 149) | (66 722 673) |
| Present value of the defined benefit obligation-wholly unfunded - LSA | (17 872 933) | (18 626 445) |
| Undefined Difference | 2 372 528 | - |
| | (69 548 554) | (85 349 118) |
| Changes in the present value of the defined benefit obligation are as follows: | | |
| Opening balance | 85 352 118 | 84 129 815 |
| Benefits paid - PEMA | (213 285) | (324 985) |
| Benefits paid - LSA | (4 386 061) | (1 977 427) |
| Net expense recognised in the statement of financial performance | (8 828 689) | 3 524 715 |
| | 71 924 083 | 85 352 118 |
| Net expense recognised in the statement of financial performance | | |
| Current service cost - PEMA | 3 350 274 | 3 199 499 |
| Interest cost - PEMA | 6 570 932 | 6 654 741 |
| Actuarial (gains) losses - PEMA | (22 382 444) | (10 053 463) |
| Current service cost - LSA | 1 214 516 | 1 137 908 |
| Interest cost - LSA | 1 414 029 | 1 288 819 |
| Actuarial (gains) Losses - LSA | 1 004 004 | 1 297 211 |
| | (8 828 689) | 3 524 715 |
| Calculation of actuarial gains and losses | | |
| Actuarial (gains) losses – Obligation | (21 378 440) | (7 385 988) |
| Key assumptions used | | |
| a. Post employment medical aid plan | | |
| In estimating the liability for the post-employment health care benefits a number of assumptions are required. The GRAP 25 statement places the responsibility on management to set these assumptions, as guided by the principles set out in the Statement and in discussion with the actuary. | | |
| It should be noted that the valuation method and assumptions do not affect the ultimate cost of the post-employment health care arrangement – this is determined by actual experience and by the benefits provided. The method and assumptions influence how the past service liability and future-service costs are recognised over time. The key financial and demographic assumptions are summarised below | | |
| Financial variables | | |
| The most important financial variables used in our valuation are the discount and medical aid inflation rates. We have assumed the following values for these variables | | |
| Discount rates used | 9,80 % | 9,83 % |
| Health care cost inflation rate | 7,15 % | 7,55 % |
| Net effective discount rate | 2,47 % | 2,21 % |
| Demographic Assumptions | | |
| Average retirement age | 62 | 63 |
| Continuation of membership at retirement | 75% | 95% |
| Proportion with a spouse dependent at retirement | 60% | 95% |
| Proportion of eligible in-service non members joining a scheme by retirement | 15% | 30% |
| Mortality during retirement | SA 85-90 | SA 85-90 |

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| 36. Employee benefit obligations (continued) | | |
| Mortality post retirement | PA (90)-1 | PA(90)-1 |
| b. Long service awards | | |
| Key assumptions for long service awards are as follows. | | |
| Financial variables | | |
| Discount rate used | 7.97% | 8.33% |
| General earnings inflation rate.(Long-term | 5.45% | 8.33% |
| Net effective discount rate | 2.39% | 2.20% |

The earnings used in the valuation include an increase on 1 July 2019 of 6.50% as per the SALGBC Circular No.: 01/2019. The next earnings increase was assumed to take place on 1 July 2020.

| Demographic assumption | Value | | |
|-----------------------------|------------|---------------|-------------|
| Assumption | 63 | | |
| Average retirement age | SA 85-90 | | |
| Mortality during employment | | | |
| Withdrawal from service | | | |
| | Age | Female | Male |
| | 20 | 24 | 16 |
| | 30 | 18 | 12 |
| | 40 | 10 | 08 |
| | 50 | 04 | 04 |
| | 55 | 02 | 02 |

Membership data for Post employment medical aid

According to the information provided, the number of members entitled to receive post employment medical aid subsidies from the municipality were

| Category | 30-06-2019 Valuation | 30-06-2018 Valuation |
|-----------------------------------|-------------------------|-------------------------|
| Current (In-service) members | 299 | 299 |
| Continuation members (Pensioners) | 22 | 22 |

Accrued Contractual Liability

The figures below reflect the total value of the accrued contractual liability of the municipality in respect of the municipality in respect of post employment medical aid benefit offered to employees:

| Category | 30-06-2019 Valuation | 30-06-2018 Valuation |
|-----------------------------------|--|--|
| Current (In-service) members | 52 534 01 | 66 375 458 |
| Continuation members (Pensioners) | 1 513 348 | 347 215 |
| Total | 54 048 150 | 66 722 673 |
| Category | 30-06-2019 Valuation to be used in 30 June 2020 Actuarial Loss (Gain) calculation | 30-06-2018 Valuation to be used in 30 June 2019 Actuarial Loss (Gain) calculation |
| Interest cost | 3 350 275 | 2 577 974 |
| Current service cost | 6 570 932 | 5 240 162 |
| Total | 9 921 207 | 7 818 136 |

Post employment medical aid assumption continued

Financial variables

i, Discount rate

A discount rate of 9.80% per annum has been used. The corresponding index-linked yield at this term is 3.09%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018

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36. Employee benefit obligations (continued)

ii, Health care inflation rate

The medical contribution inflation rate was set with reference to the past relationship between the (yield curve based) discount rate for each relevant time period and the (yield curve based) Medical Aid Contribution Inflation for each relevant time period

This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective

A health care cost inflation rate of 7.15% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.65%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 2.47% which derives from $((1+9.80\%)/(1+7.15\%))-1$

The expected inflation assumption of 5.65% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (3.09%) and those of fixed interest bonds (9.80%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.80\%-0.50\%)/(1+3.45\%))-1$.

The next contribution increase was assumed to occur with effect from 1 January 2020

iii, Replacement Ratio

This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Demographic assumptions

Demographic assumptions are required to estimate the changing profile of current employees and retirees who are eligible for post-employment benefits.

i, Pre-retirement Mortality

SA85-90 ultimate table, adjusted for female live

ii, Post-retirement Mortality

PA(90) ultimate table, adjusted down by one year of age

iii, Withdrawal from service

If an eligible employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

| Age | Females | Males |
|-----|---------|-------|
| 20 | 9% | 9% |
| 25 | 8% | 8% |
| 30 | 6% | 6% |
| 35 | 5% | 5% |
| 40 | 5% | 5% |
| 45 | 4% | 4% |
| 50 | 3% | 3% |
| 55 | 0% | 0% |
| >55 | 0% | 0% |

Average Retirement Age

The normal retirement age of employees is 62. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement.

Continuation of Membership

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36. Employee benefit obligations (continued)

It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Proportion of Eligible In-Service Non-Members Joining a Scheme by Retirement

It has been assumed that 15% of eligible in-service non-members will be on a medical scheme at retirement (should they not exit employment before then).

Family Profile

It has been assumed that female spouses will be four years younger than their male counterparts. Furthermore, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have a spouse dependant on their medical aid. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

Sensitivity Analysis

a. Sensitivity Analysis for Post Employment Medical Aid

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed rate of health care cost inflation
- (ii) A 1% increase and decrease in the discount rate
- (iii) A one-year age reduction in the assumed rates of post-retirement mortality
- (iv) A one-year decrease in the assumed average retirement age
- (v) A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liability using the assumptions as below

| Assumption | Change | In-service members | Continuation members | Total | % Change |
|---------------------------------------|--------|--------------------|----------------------|--------|----------|
| Central assumption | | 41 364 | 1.207 | 42 571 | |
| Health care inflation | 1% | 48 685 | 1.321 | 50 007 | 17% |
| | -1% | 35 413 | 1.107 | 36 521 | -14% |
| Discount rate | 1% | 35 591 | 1.110 | 36 701 | -14% |
| | -1% | 48 562 | 1.320 | 49 882 | 17% |
| Post retirement mortality | 1 year | 42 741 | 1.252 | 43 993 | 03% |
| Average retirement age | 1 year | 44 991 | 1.207 | 46 198 | 09% |
| Continuation of members at retirement | 10% | 30 182 | 1.207 | 31 389 | -26% |

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 17% higher than that shown

The sensitivity analysis on current-service and interest cost for the year ending 30 June 2019

| Assumption | Change | Current Svc Cost | Interest Cost | Total | % Change |
|---------------------------------------|----------|------------------|---------------|-----------|----------|
| Central assumptions | | 2 656 900 | 1 179 200 | 2 189 900 | |
| Health care inflation rate | 1% | 3 207 500 | 1 242 300 | 2 326 100 | 06% |
| | -1% | 2 217 000 | 1 121 100 | 2 065 900 | -06% |
| Discount rate | 1% | 2 248 900 | 1 252 000 | 2 202 800 | 01% |
| | -1% | 3 171 100 | 1 097 300 | 2 175 400 | -01% |
| Post-employment mortality | (1 year) | 2 754 400 | 988 700 | 1 883 100 | -14% |
| Average retirement age | 1 year | 2 807 900 | 1 345 200 | 2 462 700 | 12% |
| Continuation of members at retirement | -10% | 2 183 200 | 1 318 600 | 2 562 300 | 17% |

b. Sensitivity analysis for long service awards

Sensitivity analysis on the unfunded liability

| Assumption | Change | Liability | % Change |
|----------------------------|--------|-----------|----------|
| Central assumptions | | 15 481 | |
| General earnings inflation | 1% | 16 280 | 5% |
| | -1% | 14 746 | -% |
| Discount rate | 1% | 14 704 | -5% |
| | -1% | 16 340 | 6% |

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36. Employee benefit obligations (continued)

| | | | |
|---------------------------------------|-----------|--------|------|
| Average retirement age | (2 years) | 12 712 | -18% |
| | 2 year | 17 990 | 16% |
| Continuation of members at retirement | -50% | 16 986 | 10% |

Sensitivity analysis on current service and interest costs for the year ending 30 June 2019

| Assumption | Change | Current Svc Cost | Interest Cost | Total | % Change |
|---------------------------------------|-----------|------------------|---------------|-----------|----------|
| Central assumptions | | 1 010 700 | 1 179 200 | 2 189 900 | |
| General earnings inflation | 1% | 1 083 800 | 1 242 300 | 2 326 100 | 06% |
| | -1% | 944 800 | 1 121 100 | 2 065 900 | -06% |
| Discount rate | 1% | 950 800 | 1 252 000 | 2 202 800 | 01% |
| | -1% | 1 078 100 | 1 097 300 | 2 175 400 | -01% |
| Average retirement age | (2 years) | 894 400 | 988 700 | 1 883 100 | -14% |
| | 2 year | 1 117 500 | 1 345 200 | 2 462 700 | 12% |
| Continuation of members at retirement | -50% | 1 243 700 | 1 318 600 | 2 562 300 | 17% |

Key Assumptions for Long service award

Financial variable

i, Discount Rate

A discount rate of 8.33% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 8.33% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.70%. These rates do not reflect any adjustment for taxation. These rates were deduced from the interest rate data obtained from the JSE after the market close on 29 June 2018

The liability-weighted average term of the total liability is 5.41 years

ii, Earnings Inflation Rate

This assumption is required to reflect the estimated growth in earnings of the eligible employees until retirement. It is important in that the LSA are based on an employee's earnings at the date of the award.

The assumption is traditionally split into two components, namely General Earnings Inflation and Promotional Earnings Escalation. The latter is considered under demographic assumptions

iii, General Earnings Inflation

This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, earnings inflation is between 1.0% and 1.5% above CPI inflation

The expected inflation assumption of 4.55% was obtained from the differential between market yields on index-linked bonds (2.89%) consistent with the estimated terms of the liabilities and those of nominal bonds (7.97%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+7.97\%-0.50\%)/(1+2.89\%))-1$

Thus, a general earnings inflation rate of 5.45% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.39%

has been assumed that the next earnings increase will take place on 1 July 2019

Demographic assumptions

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

i, Promotional Earnings Scale

The annual inflation rates below are in addition to the General Earnings Inflation assumption of 6.00% per annum for all employees

| Age band | Additional promotional scale |
|----------|------------------------------|
| 20 - 24 | 5.0% |
| 25 - 29 | 4.0% |

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| 36. Employee benefit obligations (continued) | | |
| 30 - 34 | 3.0% | |
| 35 - 39 | 2.0% | |
| 40 - 44 | 1.0% | |
| > 44 | 0.0% | |

ii, Average Retirement Age

The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

iii, Pre-retirement Mortality

SA85-90 ultimate table, adjusted down for female lives

Withdrawal from Service

If an employee leaves, the employer's liability in respect of that employee ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

| Age | Females | Males |
|-----|---------|-------|
| 20 | 9% | 9% |
| 25 | 8% | 8% |
| 30 | 6% | 6% |
| 35 | 5% | 5% |
| 40 | 5% | 5% |
| 45 | 4% | 4% |
| 50 | 3% | 3% |
| 55 | 0% | 0% |
| >55 | 0% | 0% |

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

| | One percentage point increase | | One percentage point decrease | | |
|---|-------------------------------|------------|-------------------------------|------------|------------|
| Effect on the aggregate of the service cost and interest cost | 2019 | 2018 | 2017 | 2016 | 2015 |
| | R | R | R | R | R |
| Defined benefit obligation - PEMA | 54 048 148 | 66 722 673 | 67 246 881 | 62 168 459 | 55 499 990 |
| Defined benefit obligation - LSA | 17 872 933 | 18 626 443 | 16 882 601 | 14 156 456 | 12 737 431 |

37. Finance lease obligation

Minimum lease payments due

| | | |
|--|-------------------|------------------|
| - within one year | 28 865 486 | 3 698 479 |
| - in second to fifth year inclusive | 46 567 535 | 5 974 466 |
| | 75 433 021 | 9 672 945 |
| less: future finance charges | (14 264 296) | (2 104 579) |
| Present value of minimum lease payments | 61 168 725 | 7 568 366 |

Present value of minimum lease payments due

| | | |
|-------------------------------------|------------|-----------|
| - within one year | 23 602 037 | 2 512 230 |
| - in second to fifth year inclusive | 37 566 688 | 5 056 136 |
| | 61 168 725 | 7 568 366 |

Finance lease photo copy machines

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37. Finance lease obligation (continued)

The municipality has leased printing machines under a finance lease, effective from 28 February 2018

The average lease term is 3 years and the average effective borrowing rate is 13.2% per annum

Interest rates are fixed at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on paper usage.

Finance lease on vehicles

The municipality has entered into an instalment sale agreement with Btrobrite to provide fleet solution for the municipality. The lease is effective for 36 months. Upon conclusion of the lease agreement, Mopani District Municipality will resume the ownership of the vehicles. The nature of the agreement is instalment sale agreement.

The average lease term is 3 years and the average effective borrowing rate is 9.5% per annum

Interest rates are fixed at the contract date. All leases have fixed repayments. No contingent rental on this agreement

| | | |
|--|---------|---------|
| Contingent rents - Photo copy machines | 713 997 | 195 956 |
|--|---------|---------|

38. Provision for landfill site

| | | |
|------------------------------|-------------------|-------------------|
| Opening balance | 12 560 076 | 11 971 993 |
| Finance cost | - | 974 185 |
| Change in landfill provision | 455 346 | (386 102) |
| | 13 015 422 | 12 560 076 |

Landfill site Provision

The municipality has a landfill site that is located in Maruleng Municipality. Professional assessment was performed on the cost that will be incurred in order to rehabilitate the land after its use. The provision for landfill was based on the assessment performed as at 30 June 2019.

Professional assessment for rehabilitation of the land was performed by Environmental and Sustainability Solution CC.

Provision has been made for this cost based on the estimated present value of future cash flow arising from the landfill cost expected as at 30 June 2019, the discount rate used for present value calculation was based on average CPI of 4.19%, a discount rate of 8.19% and net effective discount rate of 4.00%

39. Transfers and subsidies

Other subsidies

| | | |
|------------------|----------------|------------------|
| Bursaries | - | 811 148 |
| Free basic water | 353 859 | 514 499 |
| | 353 859 | 1 325 647 |
| | 353 859 | 1 325 647 |

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40. Impairment of assets

Impairments

Property, plant and equipment

45 763 306 34 046 925

Assessment of PPE conditions was performed in 2019 and impairment loss was identified on boreholes that became dry. These assets are used for the purposes of service delivery to various communities, the review led to the recognition of an impairment loss of R17 million in the current year 2018-19 and 2017-18 of R24 million in the prior year) that has been recognised in statement of financial performance. Included in the expenditure of R17 million are boreholes in Giyani that were refurbished and drilled by Khato Civils and not yet handed over by Lepelle Northern Water to Mopani D Municipality

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41. Prior-year adjustments

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

Statement of financial position

2018

| | Note | As previously reported | Correction of error | Change in accounting policy | Re-classification | Restated |
|--|------|------------------------|---------------------|-----------------------------|----------------------|----------------------|
| Property, plant and equipment | 3 | 5 169 974 905 | 9 394 079 | - | - | 5 179 368 984 |
| Intangible assets | 4 | 7 187 185 | - | - | - | 7 187 185 |
| Heritage assets | 3 | 432 000 | - | - | - | 432 000 |
| Assets held for sale | | 15 504 | - | - | - | 15 504 |
| Inventories | 6 | 14 175 417 | (322 176) | - | - | 13 853 241 |
| Receivables from exchange transactions | 7 | 228 041 494 | (9 441 855) | - | 167 238 261 | 385 837 900 |
| VAT receivables | | 104 728 852 | - | - | (104 728 852) | - |
| Consumer debtors | | 73 021 613 | - | - | (73 021 613) | - |
| Cash and cash equivalents | 9 | 131 303 661 | - | - | (31 303 661) | 100 000 000 |
| Finance lease liability - short term | | (3 368 308) | 1 116 807 | - | (260 729) | (2 512 230) |
| Payable from exchange transactions | | (1 656 953 711) | 149 006 227 | - | 15 119 755 | (1 492 827 729) |
| Consumer deposits | | (4 351 591) | - | - | - | (4 351 591) |
| Employee benefit Obligation | | - | - | - | (85 349 118) | (85 349 118) |
| Unspent conditional grants | | (65 441 472) | (26 665 998) | - | - | (92 107 470) |
| Provisions | | (85 349 118) | - | 85 349 118 | - | - |
| Finance lease liability - Long term | | (4 784 830) | (532 035) | - | 260 729 | (5 056 136) |
| Provision for landfill | | (18 100 781) | 5 540 705 | - | - | (12 560 076) |
| | | 3 890 530 820 | 128 095 754 | 85 349 118 | (112 045 228) | 3 991 930 464 |

Statement of financial performance

2018

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---|------|------------------------|---------------------|---------------------|--------------------|
| Revenue from exchange transactions | | 230 439 064 | 131 977 899 | (871 075) | 361 545 888 |
| Revenue from non exchange transactions | | 1 254 190 123 | (26 665 997) | - | 1 227 524 126 |
| Actuarial Gains/losses | | - | 6 514 890 | 871 098 | 7 385 988 |
| Employee related costs | | (376 318 320) | 1 219 028 | 22 293 208 | (352 806 084) |
| Remuneration of councillors | | (13 179 128) | - | - | (13 179 128) |
| Depreciation and amortisation | | (177 883 702) | 2 646 050 | - | (175 237 652) |
| Impairment loss/Reversal of impairments | | (26 304 809) | - | - | (26 304 809) |
| Finance cost | | (225 612) | (18 539 973) | (29 891 533) | (48 657 118) |
| Debt impairment | | (65 967 708) | - | (45 239 186) | (111 206 894) |
| Bulk purchases | | (288 788 797) | 108 721 073 | 312 350 | (179 755 374) |
| Contracted services | | (68 498 688) | 924 077 | 16 390 979 | (51 183 632) |
| Transfers and subsidies | | (1 325 647) | - | - | (1 325 647) |
| Repairs and maintenance | | (64 406 800) | (87 635 253) | - | (152 042 053) |
| General expenditure | | (144 450 016) | 10 489 647 | (11 674 252) | (145 634 621) |
| Deficit for the year | | 257 279 960 | 129 651 441 | (47 808 411) | 339 122 990 |

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41. Prior-year adjustments (continued)

Cash flow statement

2018

| | Note | As previously reported | Correction of error | Re-classification | Restated |
|---|------|------------------------|---------------------|-------------------|--------------------|
| Cash flow from operating activities | | | | | |
| Service Charge | | 135 219 168 | (134 945 061) | - | 274 107 |
| Grants | | 1 317 445 042 | - | - | 1 317 445 042 |
| Interest income | | 4 345 432 | 226 513 | - | 4 571 945 |
| VAT Refund | | 58 006 459 | - | - | 58 006 459 |
| Other receipts | | 1 908 427 | (770 328) | - | 1 138 099 |
| Employee and councillor related costs | | (383 400 497) | (10 102 647) | 22 293 208 | (371 209 936) |
| Supplier | | (546 285 267) | 224 154 974 | (22 293 209) | (344 423 502) |
| Finance costs | | (225 612) | (16 059) | - | (241 671) |
| | | 587 013 152 | 78 547 392 | (1) | 665 560 543 |
| Cash flow from investing activities | | | | | |
| Purchase of property, plant and equipment | | (459 705 628) | (81 984 946) | - | (541 690 574) |
| Cash flow from financing activities | | | | | |
| Finance lease payments | | (1 116 807) | 789 481 | - | (327 326) |

Reconciliation in accumulated surplus

Adjustment affecting the statement of position

| | | |
|--|---|--------------------|
| Decrease in inventories | - | (322 176) |
| Decrease in receivables from exchange transactions | - | (45 573 449) |
| Increase in property, plant and equipment | - | 9 394 079 |
| Decrease in finance lease obligation | - | 584 773 |
| Decrease in payables from exchange transactions | - | 211 401 590 |
| Increase in unspent conditional grants | - | (26 665 998) |
| Decrease in provision for landfill site | - | 5 540 705 |
| | - | 154 359 524 |

Adjustment affecting the statement of financial position

| | | |
|--|---|---------------------|
| Increase in service charge | - | (69 614 871) |
| Increase in interest on overdue accounts | - | (66 455 037) |
| Decrease in other income | - | 4 963 107 |
| Increase in actuarial gains | - | (7 385 988) |
| Decrease in government grants | - | 26 665 998 |
| Decrease in employee related costs | - | (23 512 236) |
| Decrease in depreciation | - | (2 646 050) |
| Increase in finance costs | - | 48 431 506 |
| Increase in debt impairment | - | 45 239 186 |
| Decrease in bulk purchases | - | (109 033 423) |
| Decrease in contracted services | - | (17 315 056) |
| Increase in repairs and maintenance | - | 87 635 253 |
| Increase in general expenses | - | 1 184 605 |
| | - | (81 843 006) |

Accumulated surplus

| | | |
|--|---|---------------|
| Net effect on accumulated surplus | - | 72 516 518 |
| Balance as previously reported | - | 3 755 149 042 |
| Receivables from exchange transactions | - | (121 898 180) |
| Payables from exchange transactions | - | 237 226 646 |

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| 41. Prior-year adjustments (continued) | | |
| VAT receivables | - | (29 254 287) |
| Receivables from exchange transactions | - | (135 455 841) |
| | | - 3 778 283 898 |

Adjustments to intermunicipal loan account relating to 2016/2017 financial year restatement were incorrectly presented in 2017/2018 financial year end. The error was corrected as per the reconciliation above

These adjustment relate to receivables from exchange transactions and accumulated surplus line items. The error has a net effect of nil in the balances presented in the 2017/2018 financial year, however the timing difference affects opening balances as presented in the statement of changes in net assets above.

These adjustments were incorrectly presented in the statement of changes in net assets as "Net income/loss recognised directly in assets", amount of R121 898 180

Errors

The following prior period errors were identified in the period under review and the necessary adjustments were effected

| No. | Nature of the error | Affected FSLI | Correction of an error DR/(CR) |
|-----|--|--|---|
| 1 | We noted that the expenditure incurred on behalf of Department of Water and Sanitation for Mametja Sekororo project was incorrectly recognised as an expense instead of a receivable, Therefore, general expenses were overstated and Receivables from exchange transactions was understated. Furthermore, a service provider for Mametja Sekoro project was overpaid, and the overpayment was incorrectly claimed from Department of Water and Sanitation. | Receivables from exchange transactions General expenses - Other expenses Receivables from exchange transactions - Service Providers Receivables from exchange transactions DWS | 13 167 364 (13 167 364) 77 132 (77 132) |
| 2 | We noted that some invoices from 2016/2017 and 2018/2019 financial year were recorded in 2017/2018. This resulted in an overstatement of expenses in 2017/2018, overstatement of payables and understatement of 2016/2017 expenses. | Accumulated surplus General expenses - Consulting and professional fees General expenses - Road Management System General expenses - VIP Toilets Repairs and maintenance Repairs and maintenance General expenses - other expenses Payables from exchange transactions General expenses - Chemicals | 2 162 380 (443 133) (1 099 781) (272 158) (115 399) (36 409) 168 980 (342 439) |
| 3 | It was discovered that bulk purchases were incorrectly recorded inclusive of VAT and interest, and some invoices were omitted. This resulted in an understatement of VAT and understatement of finance costs, and overstatement of bulk purchases. It was also noted that some of the bulk purchases invoices were incorrectly classified as repairs and maintenance, resulting an overstatement of repairs and maintenance and understatement in bulk purchases | Finance costs VAT Receivables Bulk Purchase Payables from exchange transactions Repairs and maintenance Accumulated surplus | 28 741 699 22 219 314 (110 207 511) (13 917 569) 74 369 088 (1 205 022) |
| 4 | It was discovered that a portion of the WSIG grant was recognised as income even though it was not utilised for its intended purpose. This resulted in and understatement of unspent conditional grants. Furthermore 2016/2017 unspent grants for WSIG and Rural transport were disclosed as liabilities in | Revenue: Government grants and subsidies Unspent conditional grants and receipts | 26 665 998 (26 665 998) |

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41. Prior-year adjustments (continued)

overstatement of revenue 2017/2018 even though the roll over was not approved by Treasury. The unapproved amount was withheld against equitable shares. Unspent conditional grants were overstated and government grants and subsidies was understated.

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41. Prior-year adjustments (continued)

| No. | Nature of the error | Affected FSLI | Correction of an error DR/(CR) |
|-----|---|---|--|
| 5 | We noted that the workmen's compensation adjustment for the prior year was incorrect and did not agree to supporting documentation. Employee costs: and finance costs were overstated and accumulated surplus and payables from exchange transactions were understated. Workmen's compensation | Employee costs: Workmen's compensation General expenses: Penalties paid Accumulated surplus Payables from exchange transactions | 2 104 476 64 006 (1 422 738) 745 744 |
| 6 | We noted that long outstanding discounts and stale cheques were incorrectly not cleared from the suspense account. This resulted in an overstatement in payables and overstatement of expenses. It was also noted that medical aid, pension fund, subsistence and travel allowance and other employee costs were uncleared from the suspense account, and there incorrectly debited against payables from exchange transactions. Therefore, general expenses were understated and payables from exchange transactions was understated | Payables from exchange transactions Accumulated surplus General expenses Other Income | (2 255 112) 1 672 376 583 169 (434) |
| 7 | Some creditors were omitted and not raised as creditors at year end, furthermore some payables were incorrectly not reversed upon payment, This resulted in an overstatement in payables and overstatement of expenses. | Payables from exchange transactions Accumulated surplus General expenses VAT Receivables Repairs and maintenance | (22 022 622) 3 725 421 421 686 598 253 17 277 262 |
| 8 | We noted that prior year VAT receivable was incorrect as some payables were raised exclusive of VAT, and some expenses were recorded inclusive of VAT. This resulted in understatement of VAT receivable and understatement of payables. | Property, plant and equipment VAT Receivable General expenses - Travel local Payables from exchange transactions | 222 087 3 000 518 (6 922) (3 215 683) |
| 9 | We noted that the following capital expenses were incorrectly disclosed as repairs and maintenance and not property, plant and equipment Therefore repairs and maintenance was overstated and property plant and equipment was overstated. | Property, plant and equipment Repairs and maintenance VAT Receivables | 5 887 062 (5 913 084) 26 023 |
| 10 | We noted the retention on some projects was incorrectly not raised, and the capitalised amount excluded the retention amount. Furthermore, some overpayments were incorrectly raised inclusive of the retention. | Property, plant and equipment - WIP Payables from exchange transactions - Retentions Receivables from exchange transactions | 570 600 (156 008) (414 592) |
| 11 | It was discovered that some assets were excluded from the finance lease obligation, and some of the payments made on the finance lease were incorrectly expensed as operating lease. This resulted in an understatement of the lease liability and an understatement of leased assets. | Finance costs Contracted Services General expenses Property, plant and equipment Payables from exchange transactions VAT Receivable Finance lease liability | (93 616) (924 077) (52 342) 68 281 553 885 (136 904) 584 772 |
| 12 | It was noted that the provision for landfill site disclosed in the prior year was incorrect as it did not take into account the effect of time value of money Provision for landfill site was overstated and general expenses were understated. | Provision for landfill site Finance costs General expenses | 5 540 705 974 185 (6 514 890) |

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41. Prior-year adjustments (continued)

| No. | Nature of the error | Affected FSLI | Correction of an error DR/(CR) |
|-----|---|--|---|
| 13 | We noted that the provision for leave pay rate was incorrectly calculated in the prior year. Provision for leave was understated and employee costs was overstated. | Employee costs Payables from exchange transactions - Provision for leave Accumulated surplus | (3 323 504) 5 444 539 (2 121 035) |
| 14 | It was discovered that inventory purchases were overstated, inventory was therefore overstated and general expenses were understated. | General expenses Inventory | 322 176 (322 176) |
| 15 | We noted that the intermunicipal loan account for Giyani was incorrect as it excluded some revenue. This resulted in an understatement of the loan account and understatement of and receivables. | Service Charges Other income Interest on outstanding debts Consumer debtors Payable from exchange transactions: Intermunicipal loan account | 425 779 (82 318) 22 828 34 414 (400 723) |
| 16 | We noted that the following long outstanding debts were irrecoverable but not written off, resulting in an overstatement of receivables from exchange transactions and an overstatement of expenses. | Accumulated surplus Provision for bad debts Receivables from exchange transactions | 14 509 730 1 457 108 (15 966 839) |
| 17 | Some service providers were erroneously overpaid in the prior year and the overpayments were not raised as receivables before year end. Therefore receivables were understated and general expenses was overstated. | Accumulated surplus VAT Receivable Receivables from exchange transactions General expenses | (27 000) (175 820) 1 281 860 (1 079 040) |
| 18 | We noted that the amount disclosed as consumer debtors excluded water and sewerage for Baphalaborwa local municipality for both 2017 and 2018 financial year end. This resulted in an understatement in consumer debtors and revenue service charges, and the resulting impairment provision. | Consumer debtors Provision for bad debts Revenue- service charges Interest on outstanding debts Accumulated surplus Impairment of debt VAT Receivables | 261 187 992 (254 640 603) (70 040 649) (66 477 885) 124 494 881 45 239 186 (39 762 922) |
| 19 | We noted that the review of useful lives was not performed in the prior year. Therefore, depreciation was overstated and property, plant and equipment was overstated. | Accumulated depreciation Depreciation | 338 943 (338 943) |
| 20 | Some of the bulk purchases were incorrectly omitted from the list of Department of Water and Sanitation account. This resulted an understatement in bulk purchases for the prior years and understatement of payables from exchange transactions. | Accumulated surplus Finance costs Bulk purchases VAT Receivables Payables from exchange transactions | 2 764 689 269 265 1 486 438 222 966 (4 743 358) |
| 21 | | VAT Receivables Property, plant and equipment Finance lease obligation Depreciation | 9 559 2 375 388 (77 840) (2 307 107) |
| 22 | We noted that some of the fleet expenses from the prior year were incorrectly not cleared from the suspense account, therefore payables from exchange transactions was understated and expenses were overstated | General expenses Payables from exchange transactions | 4 618 903 (4 618 903) |
| 23 | Some entries were incorrectly processed to accumulated surplus, upon investigation we noted that these transactions were not supported and therefore invalid. The entries were reserved. Accumulated surplus and VAT were overstated. The error was corrected as follows | Accumulated surplus VAT Receivables Payables from exchange transactions | 3 721 038 (502 407) (3 218 631) |

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| 41. Prior-year adjustments (continued) | | |
| 24 We noted that VAT raised on invoices was incorrectly processed against the income statement when received from SARS. Therefore accumulated surplus was overstated and VAT receivables was overstated | VAT Receivables | (30 459 309) |
| | Accumulated Surplus | 30 459 309 |
| 25 Accounts payables were incorrectly not reversed when paid resulting in an accumulaed balance therefore, accounts payables were overstated and accumulated surplus was understated. The error was corrected as follows | Payables from exchange transactions | 247 728 778 |
| | Accumulated surplus | (247 728 778) |
| 26 Refundable deposits paid to eskom in the prior years were not raised as receivables but expensed when paid. Therefore accumulated surplus was overstated and receivables were understated. Furthermore, unpaid repair and consumables were not raised as payable in June 2018 Therefore payables were understated and expenses were understated. The error was corrected as follows | Payables from exchange transactions | (2 319 995) |
| | Repairs and maintenance | 2 017 387 |
| | Receivables from exchange transactions | 3 521 770 |
| | Accumulated surplus | (3 521 770) |
| | VAT Receivables | 302 608 |

42. Risk management

Financial risk management

Liquidity risk

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach is to ensure that sufficient liquidity is available to meet its liabilities when due. The municipality uses cash flow forecasts to insure that sufficient cash is available to meet expected operating expenses. This is guided by working capital and revenue enhancement policies.

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.

At 30 June 2019

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--------------------------|----------------------|-----------------------|-----------------------|--------------|----------------------|
| Trade and other payables | 1 580 489 681 | - | - | - | 1 580 489 681 |
| Finance lease liability | 23 194 420 | 26 447 204 | 11 527 101 | - | 61 168 725 |
| | 1 603 684 101 | 26 447 204 | 11 527 101 | - | 1 641 658 406 |

At 30 June 2018

| | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total |
|--------------------------|----------------------|-----------------------|-----------------------|--------------|----------------------|
| Trade and other payables | 1 445 552 122 | - | - | - | 1 445 552 122 |
| Finance lease liability | 2 512 230 | 5 056 136 | - | - | 7 568 366 |
| | 1 448 064 352 | 5 056 136 | - | - | 1 453 120 488 |

Credit risk

Investments

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with Council's approved investment policy.

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

Trade receivables

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42. Risk management (continued)

Trade receivables are amounts owing by consumers and are presented net of impairment loss. The municipality has a credit control policy in place and the exposure to credit risk is monitored continuously

The municipality establishes an allowance for doubtful debts that represents its estimate for anticipated losses in respect of receivables. Payments of accounts of consumer debtors who are unable to pay are negotiated in line with the credit control policy and terms of payments are agreed upon with the consumer.

Cash and cash equivalents

The municipality limits its exposure to credit risk by investing with only reputable financial institutions and within specific guidelines set in accordance with council's approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

The carrying amount of financial assets represents the maximum credit exposure

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

| | | |
|--|-------------|-------------|
| Financial instrument | 2019 | 2018 |
| Cash and cash equivalents | 161 636 210 | 131 303 661 |
| Receivables from exchange transactions | 503 604 592 | 360 218 534 |

The municipality invested in a call account at an interest rate of 6% per annum for financial period 2019.

Market risk

Interest rate risk

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

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. No investment with a tenure exceeding twelve months shall be made without consultation with the councillor responsible for financial matters.

Consumer receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these receivables. Receivables from exchange transactions are presented net of an allowance for impairment.

43. Events after the reporting date

Any events or transactions which occurred after 30 June 2019 and that require a disclosure or adjustment in the annual financial statements of Mopani District Municipality have been accounted for.

- nature of the event.
- estimation of its financial effect or a statement that such an estimation cannot be made.

The municipal manager Mr Monakedi S.R resigned from the municipality. His last day of employment was 31 July 2019.

Additional text

44. In-kind donations and assistance

The municipality was selected by Limpopo Provincial Treasury for support under the Municipal Finance Improvement Programme for period starting 01 March 2019 ending 31 March 2020. National Treasury has placed Mr Oliver Chikweshe for the programme to offer technical assistance designed to strengthen the financial management compliance and qualitative improvement in the budget and treasury office.

45. Comparison with the budget

Material differences between budget and actual amount

The comparison of the Municipality's actual financial performance with the budgeted is set out in the statement of comparison of budget and actual amounts.

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45. Comparison with the budget (continued)

The budget is approved on an accrual basis using a classification based on the nature of expenses. The approved budget covers the period from 01 July 2018 to 30 June 2019. The budget and accounting basis are the same

Changes from the approved budget to the final budget

The changes between the approved and final budget are as a consequence of adjustments and roll-over of grants.

Variance of 10% or more are explained as set out below.

C - The consumers are not paying for the services especially fire services

D - The municipality increased its investments portfolio

D - The consumers are not paying for the services used.

E - The municipality increased its investments portfolio

F - Consumers are not paying for the services used, the LMs are not adequately collecting revenue due from consumers.

G - The budget includes the VAT refund and it is captured under VAT Payable and not VAT refund

H - The consumers are not paying for services used and a huge debt is impaired

I - The budget included the historic payment of LNW and DWS. Additional text.

J - There was increase in the contracted services on water and sanitation for Greater tzaneen municipality Additional text

K - There was underspending in some votes on general expenditure.