



# **ALFRED NZO**

**DISTRICT MUNICIPALITY**

ALFRED NZO DISTRICT MUNICIPALITY  
Consolidated Annual Financial Statements  
for the year ended 30 June 2019

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## General Information

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### Mayoral committee

Executive Mayor

S Mehlomakulu  
P A Mohale ( Deputy Executive Mayor)  
S Kulu (Speaker)  
L G Mcambalala ( Chief Whip)  
K J Bosman-Magangana  
P N Mankahla  
S Sello  
N Msokana  
N N Nqoko  
S A N Cekeshe ( MPAC Chairperson)

Councillors

B Betwayo  
N Bongwana  
N Cwele  
H N Dandala  
S S Dangisa  
N T Langa  
N Langasiki  
W K Leballo  
L S Maqhashalala  
F Mbuyelwa  
M Mkhandaniso  
T P Motjope  
B L Mzimkhulu  
N L Ndamase  
V Ngesi  
N Njobe  
N B Nkomo  
L L Nqatsha  
C L Nxesi  
K S Pangwa  
W B Potwana  
F P Sontsi  
E Voko  
N F Sobazile  
N Nkula  
A I Guqaza  
P Novuyelela

**Accounting Officer**

Z H Sikhundla

**Chief Finance Officer (CFO)**

UP Mahlasela

**Registered office**

ERF 1400  
Ntsizwa Street  
Mount Ayliff  
4735

**Business address**

EFR 1400  
Ntsizwa Street  
Mount Ayliff

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## General Information

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4735

**Auditors**

Auditor's/Accountant's name

Registered Auditors

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated 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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity 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 economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

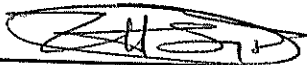
The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable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

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

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

The audit committee is responsible for independently reviewing and reporting on the municipality's consolidated annual financial statements.

The consolidated annual financial statements set out on pages 6 to 76, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2019 and were signed on its behalf by:



**Z H Sikhundla**  
Municipal Manager

# **ALFRED NZO DISTRICT MUNICIPALITY**

Consolidated Annual Financial Statements for the year ended 30 June 2019

## **Accounting Officer's Report**

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

### **1. Review of activities**

#### **Main business and operations**

Net surplus of the municipality's was R 537,326,818 (2018: surplus R 572,600,445)

### **2. Going concern**

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

### **3. Subsequent events**

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

### **4. Corporate governance**

#### **General**

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

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**Accounting Officer**  
**Z H Sikhundla**

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Assets</b>					
Current Assets					
Inventories	10	12,438,841	10,747,599	12,438,841	10,747,599
Operating lease asset	8	24,799	4,117	24,799	4,117
Receivables from exchange transactions	11	53,945,555	50,010,391	53,771,398	49,878,241
Receivables from non-exchange transactions	12	1,012,036	1,273,135	1,012,036	1,273,135
VAT receivable	13	21,491,583	26,229,862	21,260,213	26,646,682
Cash and cash equivalents	14	283,221,208	96,974,384	282,497,180	96,255,557
		<b>372,134,022</b>	<b>185,239,488</b>	<b>371,004,467</b>	<b>184,805,331</b>
Non-Current Assets					
Property, plant and equipment	3	3,937,124,051	3,579,546,255	3,935,165,158	3,577,621,394
Intangible assets	4	2,830,884	2,883,958	2,757,622	2,841,544
Heritage assets	5	131,100	131,100	131,100	131,100
Investments in controlled entities		-	-	100	100
Investments	7	8,022,159	7,318,659	8,022,159	7,318,659
		<b>3,948,108,194</b>	<b>3,589,879,972</b>	<b>3,946,076,139</b>	<b>3,587,912,797</b>
Non-Current Assets		3,948,108,194	3,589,879,972	3,946,076,139	3,587,912,797
Current Assets		372,134,022	185,239,488	371,004,467	184,805,331
<b>Total Assets</b>		<b>4,320,242,216</b>	<b>3,775,119,460</b>	<b>4,317,080,606</b>	<b>3,772,718,128</b>
<b>Liabilities</b>					
Current Liabilities					
Operating lease liability	8	215,270	175,570	215,270	175,570
Payables from exchange transactions	19	141,898,253	137,334,334	140,060,086	135,452,083
Unspent conditional grants and receipts	15	3	2	3	2
Provisions	16	1,865,078	897,048	1,865,078	897,048
Current Portion of Long Term Loan	17	770,706	952,631	770,706	952,631
Payables from Non Exchange Transactions	18	1,178,433	378,373	1,178,433	378,373
Bank overdraft	14	24,879	-	-	-
		<b>145,952,622</b>	<b>139,737,958</b>	<b>144,089,576</b>	<b>137,855,707</b>
Non-Current Liabilities					
Provisions	16	8,922,810	6,660,419	8,922,810	6,660,419
Long Term Loan	17	4,436,079	6,669,086	4,436,079	6,669,086
		<b>13,358,889</b>	<b>13,329,505</b>	<b>13,358,889</b>	<b>13,329,505</b>
Non-Current Liabilities		13,358,889	13,329,505	13,358,889	13,329,505
Current Liabilities		145,952,622	139,737,958	144,089,576	137,855,707
<b>Total Liabilities</b>		<b>159,311,511</b>	<b>153,067,463</b>	<b>157,448,465</b>	<b>151,185,212</b>
Assets		4,320,242,216	3,775,119,460	4,317,080,606	3,772,718,128
Liabilities		(159,311,511)	(153,067,463)	(157,448,465)	(151,185,212)
<b>Net Assets</b>		<b>4,160,930,705</b>	<b>3,622,051,997</b>	<b>4,159,632,141</b>	<b>3,621,532,916</b>
Accumulated surplus		4,160,930,705	3,622,051,997	4,159,632,141	3,621,532,916

\* See Note 44

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Revenue</b>					
<b>Revenue from exchange transactions</b>					
Service charges	22	36,032,350	35,697,756	36,032,350	35,697,756
Rental of facilities and equipment	23	453,061	432,839	369,583	348,812
Agency services		221,502	173,800	221,502	173,800
Reversal of Impairment Loss		-	8,309,918	-	8,309,918
Other income	25	2,824,208	1,283,869	2,816,165	882,785
Interest received - investment	26	38,972,717	25,364,674	38,857,409	25,263,602
Actuarial gains		-	484,944	-	484,944
<b>Total revenue from exchange transactions</b>		<b>78,503,838</b>	<b>71,747,800</b>	<b>78,297,009</b>	<b>71,161,617</b>
<b>Revenue from non-exchange transactions</b>					
<b>Transfer revenue</b>					
Government grants & subsidies	28	1,039,338,172	1,029,847,778	1,038,098,210	1,023,247,897
		78,503,838	71,747,800	78,297,009	71,161,617
		1,039,338,172	1,029,847,778	1,038,098,210	1,023,247,897
<b>Total revenue</b>	21	<b>1,117,842,010</b>	<b>1,101,595,578</b>	<b>1,116,395,219</b>	<b>1,094,409,514</b>
<b>Expenditure</b>					
Employee related costs	29	(253,944,915)	(238,006,186)	(245,014,197)	(229,647,517)
Remuneration of councillors	30	(10,413,104)	(9,803,063)	(10,413,104)	(9,803,063)
Litigation Expenditure	31	(9,479,174)	(17,936,661)	(9,479,174)	(17,936,661)
Depreciation and amortisation	32	(76,860,445)	(73,484,976)	(76,551,797)	(73,084,417)
Finance costs	33	(739,343)	(1,723,031)	(739,343)	(1,723,031)
Lease rentals on operating lease		(1,543,914)	(1,180,031)	(1,520,089)	(1,111,256)
Debt Impairment	34	(7,814,997)	(244,496)	(7,814,997)	(244,496)
Bulk purchases	35	(8,910,629)	(7,973,001)	(8,910,629)	(7,973,001)
Contracted services	36	(43,275,465)	(41,567,928)	(43,275,465)	(41,567,928)
Transfers and Subsidies	27	(9,495,375)	(375,312)	(26,886,679)	(17,888,335)
Repairs and Maintenance		(40,289,478)	(35,861,428)	(40,254,827)	(35,825,282)
Loss on disposal of assets and liabilities		(1,234,802)	(3,574,831)	(1,240,265)	(3,574,831)
Actuarial losses		(897,443)	-	(897,443)	-
General Expenses	37	(115,616,108)	(97,264,189)	(106,835,072)	(84,052,279)
<b>Total expenditure</b>		<b>(580,515,192)</b>	<b>(528,995,133)</b>	<b>(579,833,081)</b>	<b>(524,432,097)</b>
Total revenue		1,117,842,010	1,101,595,578	1,116,395,219	1,094,409,514
Total expenditure		(580,515,192)	(528,995,133)	(579,833,081)	(524,432,097)
Operating surplus/deficit		-	-	-	-
Surplus before taxation		537,326,818	572,600,445	536,562,138	569,977,417
Taxation		-	-	-	-
<b>Surplus for the year</b>		<b>537,326,818</b>	<b>572,600,445</b>	<b>536,562,138</b>	<b>569,977,417</b>

\* See Note 44



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Economic entity</b>		
<b>Balance at 01 July 2017</b>	<b>3,036,491,035</b>	<b>3,036,491,035</b>
Changes in net assets		
Assets uploading	404,496	404,496
Prior period error	12,556,021	12,556,021
Net income (losses) recognised directly in net assets	12,960,517	12,960,517
Surplus for the year	572,600,445	572,600,445
Total recognised income and expenses for the year	585,560,962	585,560,962
Total changes	585,560,962	585,560,962
<b>Restated* Balance at 01 July 2018</b>	<b>3,622,051,999</b>	<b>3,622,051,999</b>
Changes in net assets		
Assets uploading	1,551,888	1,551,888
Net income (losses) recognised directly in net assets	1,551,888	1,551,888
Surplus for the year	537,326,818	537,326,818
Total recognised income and expenses for the year	538,878,706	538,878,706
Total changes	538,878,706	538,878,706
<b>Balance at 30 June 2019</b>	<b>4,160,930,705</b>	<b>4,160,930,705</b>
Note(s)		
<b>Controlling entity</b>		
<b>Balance at 01 July 2017</b>	<b>3,044,029,267</b>	<b>3,044,029,267</b>
Changes in net assets		
Prior Period Errors	7,121,736	7,121,736
Assets uploading	404,496	404,496
Net income (losses) recognised directly in net assets	7,526,232	7,526,232
Surplus for the year	569,977,417	569,977,417
Total recognised income and expenses for the year	577,503,649	577,503,649
Total changes	577,503,649	577,503,649
<b>Restated* Balance at 01 July 2018</b>	<b>3,621,532,916</b>	<b>3,621,532,916</b>
Changes in net assets		
Uploading of Assets	1,537,087	1,537,087
Net income (losses) recognised directly in net assets	1,537,087	1,537,087
Surplus for the year	536,562,138	536,562,138
Total recognised income and expenses for the year	538,099,225	538,099,225
Total changes	538,099,225	538,099,225
<b>Balance at 30 June 2019</b>	<b>4,159,632,141</b>	<b>4,159,632,141</b>
Note(s)		

\* See Note 44

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
<b>Cash flows from operating activities</b>					
<b>Receipts</b>					
Service charges		24,324,197	16,281,376	24,324,197	16,281,376
Government Grants and services		1,041,946,867	1,029,442,659	1,038,098,209	1,022,842,777
Interest income		26,152,160	14,943,183	26,036,852	14,842,111
Other receipts		3,789,598	1,670,624	3,668,349	1,185,513
		<b>1,096,212,822</b>	<b>1,062,337,842</b>	<b>1,092,127,607</b>	<b>1,055,151,777</b>
<b>Payments</b>					
Employee costs		(253,663,411)	(237,735,866)	(245,014,197)	(229,647,517)
Suppliers		(219,844,594)	(256,936,935)	(224,809,204)	(257,604,378)
Finance costs		(617,331)	(1,701,063)	(594,405)	(1,680,371)
Remuneration of councillors		(10,413,104)	(9,803,063)	(10,413,104)	(9,803,063)
Other cash item		28	(1)	28	(1)
		<b>(484,538,412)</b>	<b>(506,176,928)</b>	<b>(480,830,882)</b>	<b>(498,735,330)</b>
Total receipts		1,096,212,822	1,062,337,842	1,092,127,607	1,055,151,777
Total payments		(484,538,412)	(506,176,928)	(480,830,882)	(498,735,330)
<b>Net cash flows from operating activities</b>	<b>39</b>	<b>611,674,410</b>	<b>556,160,914</b>	<b>611,296,725</b>	<b>556,416,447</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	3	(421,866,302)	(460,583,917)	(421,420,725)	(460,495,936)
Proceeds from sale of property, plant and equipment	3	141,998	466,537	-	-
Purchase of other intangible assets	4	(371,839)	(29,700)	(301,890)	-
Proceeds from sale of financial assets		(703,500)	(703,500)	(703,500)	(703,500)
<b>Net cash flows from investing activities</b>		<b>(422,799,643)</b>	<b>(460,850,580)</b>	<b>(422,426,115)</b>	<b>(461,199,436)</b>
<b>Cash flows from financing activities</b>					
Movement in long term loan		(2,628,988)	(661,807)	(2,628,988)	(661,807)
Finance lease payments		-	(8,193,256)	-	(8,193,256)
Operating leases		(23,835)	-	-	-
<b>Net cash flows from financing activities</b>		<b>(2,652,823)</b>	<b>(8,855,063)</b>	<b>(2,628,988)</b>	<b>(8,855,063)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>186,221,944</b>	<b>86,455,271</b>	<b>186,241,622</b>	<b>86,361,948</b>
Cash and cash equivalents at the beginning of the year		96,974,384	10,519,113	96,255,557	9,893,610
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>283,196,328</b>	<b>96,974,384</b>	<b>282,497,179</b>	<b>96,255,558</b>

\* See Note 44

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Economic entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	39,171,740	2,000	<b>39,173,740</b>	36,032,350	<b>(3,141,390)</b>	
Rental of facilities and equipment	496,484	-	<b>496,484</b>	453,061	<b>(43,423)</b>	a)
Agency services	-	-	-	221,502	<b>221,502</b>	b)
Other income - (rollup)	679,035	6,000	<b>685,035</b>	2,824,208	<b>2,139,173</b>	
Reserves	70,000,000	20,000,000	<b>90,000,000</b>	-	<b>(90,000,000)</b>	c)
Interest received - investment	17,231,840	-	<b>17,231,840</b>	38,972,717	<b>21,740,877</b>	d)
<b>Total revenue from exchange transactions</b>	<b>127,579,099</b>	<b>20,008,000</b>	<b>147,587,099</b>	<b>78,503,838</b>	<b>(69,083,261)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	1,101,473,690	(20,000,000)	<b>1,081,473,690</b>	1,039,338,172	<b>(42,135,518)</b>	
'Total revenue from exchange transactions'	127,579,099	20,008,000	<b>147,587,099</b>	78,503,838	<b>(69,083,261)</b>	
'Total revenue from non-exchange transactions'	1,101,473,690	(20,000,000)	<b>1,081,473,690</b>	1,039,338,172	<b>(42,135,518)</b>	
<b>Total revenue</b>	<b>1,229,052,789</b>	<b>8,000</b>	<b>1,229,060,789</b>	<b>1,117,842,010</b>	<b>(111,218,779)</b>	
<b>Expenditure</b>						
Employee Related Costs	(283,055,260)	22,015,568	<b>(261,039,692)</b>	(253,944,915)	<b>7,094,777</b>	
Remuneration of councillors	(10,293,058)	(2,012,055)	<b>(12,305,113)</b>	(10,413,104)	<b>1,892,009</b>	e)
Litigation Expenses	-	(9,479,174)	<b>(9,479,174)</b>	(9,479,174)	-	
Depreciation and amortisation	(70,000,000)	(20,000,000)	<b>(90,000,000)</b>	(76,860,445)	<b>13,139,555</b>	f)
Finance costs	(808,111)	-	<b>(808,111)</b>	(739,343)	<b>68,768</b>	
Lease rentals on operating lease	-	(1,520,089)	<b>(1,520,089)</b>	(1,543,914)	<b>(23,825)</b>	
Debt Impairment	(25,500,000)	-	<b>(25,500,000)</b>	(7,814,997)	<b>17,685,003</b>	
Bulk purchases	(6,000,000)	(3,000,000)	<b>(9,000,000)</b>	(8,910,629)	<b>89,371</b>	
Contracted Services	-	(43,275,465)	<b>(43,275,465)</b>	(43,275,465)	-	
Transfers and Subsidies	(20,000,000)	(6,886,679)	<b>(26,886,679)</b>	(9,495,375)	<b>17,391,304</b>	
Repairs and Maintenance	(51,888,949)	1,809,004	<b>(50,079,945)</b>	(40,289,478)	<b>9,790,467</b>	g)
General Expenses	(229,342,295)	81,934,285	<b>(147,408,010)</b>	(115,616,108)	<b>31,791,902</b>	
<b>Total expenditure</b>	<b>(696,887,673)</b>	<b>19,585,395</b>	<b>(677,302,278)</b>	<b>(578,382,947)</b>	<b>98,919,331</b>	
	1,229,052,789	8,000	<b>1,229,060,789</b>	1,117,842,010	<b>(111,218,779)</b>	
	(696,887,673)	19,585,395	<b>(677,302,278)</b>	(578,382,947)	<b>98,919,331</b>	
<b>Operating surplus</b>	<b>532,165,116</b>	<b>19,593,395</b>	<b>551,758,511</b>	<b>539,459,063</b>	<b>(12,299,448)</b>	
Loss on disposal of assets and liabilities	-	-	-	(1,234,802)	<b>(1,234,802)</b>	
Actuarial gains/losses	-	-	-	(897,443)	<b>(897,443)</b>	
	-	-	-	<b>(2,132,245)</b>	<b>(2,132,245)</b>	
	532,165,116	19,593,395	<b>551,758,511</b>	539,459,063	<b>(12,299,448)</b>	
	-	-	-	(2,132,245)	<b>(2,132,245)</b>	

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Operating Surplus</b>	<b>532,165,116</b>	<b>19,593,395</b>	<b>551,758,511</b>	<b>537,326,818</b>	<b>(14,431,693)</b>	
Deficit before taxation	532,165,116	19,593,395	<b>551,758,511</b>	537,326,818	<b>(14,431,693)</b>	
Capex	566,304,000	(18,352,082)	<b>547,951,918</b>	434,950,014	<b>(113,001,904)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(34,138,884)</b>	<b>37,945,477</b>	<b>3,806,593</b>	<b>102,376,804</b>	<b>98,570,211</b>	

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Controlling entity</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	39,171,740	2,000	<b>39,173,740</b>	36,032,350	<b>(3,141,390)</b>	
Rental of facilities and equipment	413,006	-	<b>413,006</b>	369,583	<b>(43,423)</b>	a)
Reserves	70,000,000	20,000,000	<b>90,000,000</b>	-	<b>(90,000,000)</b>	c)
Agency services	-	-	-	221,502	<b>221,502</b>	b)
Other income - (rollup)	679,035	6,000	<b>685,035</b>	2,816,165	<b>2,131,130</b>	
Interest received - investment	17,078,880	-	<b>17,078,880</b>	38,857,409	<b>21,778,529</b>	d)
<b>Total revenue from exchange transactions</b>	<b>127,342,661</b>	<b>20,008,000</b>	<b>147,350,661</b>	<b>78,297,009</b>	<b>(69,053,652)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Transfer revenue</b>						
Government grants & subsidies	1,081,657,000	(20,000,000)	<b>1,061,657,000</b>	1,038,098,210	<b>(23,558,790)</b>	
'Total revenue from exchange transactions'	127,342,661	20,008,000	<b>147,350,661</b>	78,297,009	<b>(69,053,652)</b>	
'Total revenue from non-exchange transactions'	1,081,657,000	(20,000,000)	<b>1,061,657,000</b>	1,038,098,210	<b>(23,558,790)</b>	
<b>Total revenue</b>	<b>1,208,999,661</b>	<b>8,000</b>	<b>1,209,007,661</b>	<b>1,116,395,219</b>	<b>(92,612,442)</b>	
<b>Expenditure</b>						
Employee Related Cost	(271,303,322)	22,015,568	<b>(249,287,754)</b>	(245,014,197)	<b>4,273,557</b>	
Remuneration of councillors	(10,293,058)	(2,012,055)	<b>(12,305,113)</b>	(10,413,104)	<b>1,892,009</b>	e)
Litigation Expenditure	-	(9,479,174)	<b>(9,479,174)</b>	(9,479,174)	-	
Depreciation and amortisation	(70,000,000)	(20,000,000)	<b>(90,000,000)</b>	(76,551,797)	<b>13,448,203</b>	f)
Finance costs	(808,111)	-	<b>(808,111)</b>	(739,343)	<b>68,768</b>	
Lease rentals on operating lease	-	(1,520,089)	<b>(1,520,089)</b>	(1,520,089)	-	
Debt Impairment	(25,500,000)	-	<b>(25,500,000)</b>	(7,814,997)	<b>17,685,003</b>	
Bulk purchases	(6,000,000)	(3,000,000)	<b>(9,000,000)</b>	(8,910,629)	<b>89,371</b>	
Contracted Services	-	(43,275,465)	<b>(43,275,465)</b>	(43,275,465)	-	
Transfers and Subsidies	(20,000,000)	(6,886,679)	<b>(26,886,679)</b>	(26,886,679)	-	
Repairs and Maintenance	(51,888,949)	1,809,004	<b>(50,079,945)</b>	(40,254,827)	<b>9,825,118</b>	g)
General Expenses	(179,688,941)	43,965,985	<b>(135,722,956)</b>	(106,835,072)	<b>28,887,884</b>	
<b>Total expenditure</b>	<b>(635,482,381)</b>	<b>(18,382,905)</b>	<b>(653,865,286)</b>	<b>(577,695,373)</b>	<b>76,169,913</b>	
	1,208,999,661	8,000	<b>1,209,007,661</b>	1,116,395,219	<b>(92,612,442)</b>	
	(635,482,381)	(18,382,905)	<b>(653,865,286)</b>	(577,695,373)	<b>76,169,913</b>	
<b>Operating surplus</b>	<b>573,517,280</b>	<b>(18,374,905)</b>	<b>555,142,375</b>	<b>538,699,846</b>	<b>(16,442,529)</b>	
Loss on disposal of assets and liabilities	-	(1,240,265)	<b>(1,240,265)</b>	(1,240,265)	-	
Actuarial gains/losses	-	(897,443)	<b>(897,443)</b>	(897,443)	-	
	-	<b>(2,137,708)</b>	<b>(2,137,708)</b>	<b>(2,137,708)</b>	-	
	573,517,280	(18,374,905)	<b>555,142,375</b>	538,699,846	<b>(16,442,529)</b>	
	-	(2,137,708)	<b>(2,137,708)</b>	(2,137,708)	-	

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## 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						
<b>Surplus before taxation</b>	<b>573,517,280</b>	<b>(20,512,613)</b>	<b>553,004,667</b>	<b>536,562,138</b>	<b>(16,442,529)</b>	
Deficit before taxation	573,517,280	(20,512,613)	<b>553,004,667</b>	536,562,138	<b>(16,442,529)</b>	
Capex	566,304,000	(18,352,082)	<b>547,951,918</b>	434,950,014	<b>(113,001,904)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>7,213,280</b>	<b>(2,160,531)</b>	<b>5,052,749</b>	<b>101,612,124</b>	<b>96,559,375</b>	

- a) Rental of facilities and equipment- The projections for office rentals were higher than on the contract.
- b) Agency services- The municipality received commission on third party payments and these are budgeted under other income.
- c) Reserves- these are non cash items to cover for expenditure on depreciation and the net effect is zero.
- d) Interest earned- The municipality has strongly implemented the policy by investing the funds that will not be used immediately.
- e) Remuneration of councillors- The approved upper limit for the Councillors was 4% which is lower than budgeted for at 7% for increment.
- f) Depreciation - We anticipated that more projects will be capitalised during the year under review, however these were to be completed during the 2019/20 financial year.
- g) Repairs and maintenance - During the year under review there were few schemes that needed to be repaired, also the budget included budget for repairs of trucks that were transferred from finance lease but didn't have much repairs.

To Note

In terms of the budget the litigation costs, contracted services, lease rentals, actuarial losses, loss on disposal of assets, other grants and subsidies are included under the general expenses and only separated on AFS for compliance with GRAP standards disclosure requirements.

The municipality implemented the virement policy.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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 consolidated annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 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 economic entity; 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.

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.1 Property, plant and equipment (continued)

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

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

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

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Item	Depreciation method	Average useful life
Buildings	Straight line	10-40
Plant and machinery	Straight line	2-15
Furniture and fixtures	Straight line	2-10
Motor vehicles	Straight line	4-10
Office equipment	Straight line	2-10
Infrastructure Water	Straight line	2-100
Infrastructure- Sanitation	Straight line	2-85
Infrastructure - Roads	Straight line	5-15
Bins and Containers	Straight line	5-10
Computer Equipment	Straight line	2-10
Emergency Equipment	Straight line	2-15
Park Homes	Straight line	20-40
Specialised Vehicles	Straight line	5-15

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

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

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

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

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

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

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

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

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



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.2 Intangible assets

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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<b>Item</b>	<b>Depreciation method</b>	<b>Average useful life</b>
Computer software	Straight line	2-5

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Heritage assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Recognition

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

### 1.4 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.

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Financial instruments (continued)

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

- cash;
- a residual interest of another 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.

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

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

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

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Financial instruments (continued)

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

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

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# ALFRED NZO DISTRICT MUNICIPALITY

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### 1.4 Financial instruments (continued)

#### Classification

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

<b>Class</b>	<b>Category</b>
Unlisted Investments	Financial asset measured at amortised cost
Investments in Fixed Deposits	Financial asset measured at fair value cost
Long Term Receivables	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables <sup>2</sup>	Financial asset measured at amortised cost
Cash and Cash Equivalents- Call Deposits	Financial asset measured at fair value
Cash and Cash Equivalents	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:

<b>Class</b>	<b>Category</b>
Long Term Liabilities	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

#### Initial recognition

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

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Presentation

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

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

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

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

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

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

### 1.5 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.

#### Operating leases - lessor

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

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

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

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

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

#### 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.

### 1.6 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.

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### 1.6 Inventories (continued)

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 formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

### 1.7 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

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

[Specify judgements made]

### 1.8 Employee benefits

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 Employee benefits (continued)

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

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

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

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

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

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

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

### 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 recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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



# ALFRED NZO DISTRICT MUNICIPALITY

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### 1.8 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.

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

#### Participating entities under common control

The contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost is: [provide details]  
OR There is no contractual agreement, binding arrangement or stated policy for charging the net defined benefit cost.

The policy for determining the contribution to be paid by the entity is as follows: [provide details]

#### Multi-employer plans and/or State plans and/or Composite social security programmes

The entity classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the entity accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the entity account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the entity account for the plan as if it was a defined contribution plan.

#### Post-employment benefits: Defined contribution plans

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 Employee benefits (continued)

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

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

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

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

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

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

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.8 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.

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.9 Provisions and contingencies

Provisions are recognised when:

- the economic entity 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.

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.9 Provisions and contingencies (continued)

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 economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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

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

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

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

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

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 economic entity

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 42.

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

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.9 Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

### 1.10 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

### 1.11 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 economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# ALFRED NZO DISTRICT MUNICIPALITY

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## Accounting Policies

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### 1.11 Revenue from exchange transactions (continued)

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

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

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

### 1.12 Revenue from non-exchange transactions

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

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Revenue from non-exchange transactions (continued)

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

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

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

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

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

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

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

### 1.13 Borrowing costs

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

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

### 1.14 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.15 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.



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Irregular expenditure

Irregular expenditure is defined in section 1 of the MFMA as follows:

Irregular expenditure ", in relation to a municipality or municipal entity, means

- a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;
- c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1988 (Act No. 20 of 1998); or
- d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-laws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure"

In this context 'expenditure' refers to any use of municipal funds that is in contravention of the following legislation:

- >Municipal Finance Management Act, Act 56 of 2003, and its regulations
- >Municipal Systems Act, Act 32 of 2000, and its regulations
- >Public Office Bearers Act, Act 20 of 1998, and its regulations; and
- >The municipality's supply chain management policy, and any by-laws giving effect to that policy

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

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

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

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

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

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Not expected to impact results but may result in additional disclosure.
• GRAP 20: Related parties	01 April 2019	Not Expected to impact results but may result in additional disclosure.
• GRAP 108: Statutory Receivables	01 April 2019	Not expected to impact disclosure but may result in additional disclosure.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Not expected to impact results but may result in additional disclosure.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment

Economic entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	465,000	-	465,000	465,000	-	465,000
Buildings	59,020,062	(24,016,791)	35,003,271	59,020,062	(22,089,366)	36,930,696
Infrastructure	2,203,562,105	(464,837,161)	1,738,724,944	2,176,664,034	(400,060,675)	1,776,603,359
Other property, plant and equipment	82,689,247	(40,095,964)	42,593,283	79,443,835	(32,399,545)	47,044,290
Assets Under Construction- Water	1,916,025,196	-	1,916,025,196	1,531,466,874	-	1,531,466,874
Assets Under Construction- Sanitation	202,225,562	-	202,225,562	187,036,036	-	187,036,036
Assets Under Construction- Specialised Vehicle	2,086,795	-	2,086,795	-	-	-
<b>Total</b>	<b>4,466,073,967</b>	<b>(528,949,916)</b>	<b>3,937,124,051</b>	<b>4,034,095,841</b>	<b>(454,549,586)</b>	<b>3,579,546,255</b>

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	465,000	-	465,000	465,000	-	465,000
Buildings	57,294,070	(23,786,659)	33,507,411	57,294,070	(21,916,767)	35,377,303
Infrastructure	2,203,562,105	(464,837,161)	1,738,724,944	2,176,664,034	(400,060,675)	1,776,603,359
Other property, plant and equipment	81,080,786	(38,950,536)	42,130,250	77,683,892	(31,011,070)	46,672,822
Assets Under Construction- Water	1,916,025,196	-	1,916,025,196	1,531,466,874	-	1,531,466,874
Assets Under Construction- Sanitation	202,225,562	-	202,225,562	187,036,036	-	187,036,036
Assets Under Construction- Specialised Vehicle	2,086,795	-	2,086,795	-	-	-
<b>Total</b>	<b>4,462,739,514</b>	<b>(527,574,356)</b>	<b>3,935,165,158</b>	<b>4,030,609,906</b>	<b>(452,988,512)</b>	<b>3,577,621,394</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	465,000	-	-	-	-	465,000
Buildings	36,930,696	-	-	-	(1,927,425)	35,003,271
Infrastructure	1,776,603,359	-	-	26,898,072	(64,776,487)	1,738,724,944
Other property, plant and equipment	47,044,290	6,662,876	(1,382,263)	-	(9,731,620)	42,593,283
Assets Under Construction- Water	1,531,466,875	411,456,393	-	(26,898,072)	-	1,916,025,196
Assets Under Construction - Sanitation	187,036,036	15,189,526	-	-	-	202,225,562
Assets Under Construction- Specialised Vehicle	-	2,086,796	-	-	-	2,086,796
	<b>3,579,546,256</b>	<b>435,395,591</b>	<b>(1,382,263)</b>	<b>-</b>	<b>(76,435,532)</b>	<b>3,937,124,052</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	465,000	-	-	-	-	-	465,000
Buildings	38,312,608	514,418	-	-	-	(1,896,330)	36,930,696
Infrastructure	1,730,243,395	-	-	108,594,487	-	(62,234,523)	1,776,603,359
Other property, plant and equipment	27,905,723	3,161,940	(4,150,242)	28,854,024	223,304	(8,950,459)	47,044,290
Assets Under Construction - Water	1,197,472,262	442,589,098	-	(108,594,487)	-	-	1,531,466,873
Assets Under Construction- Sanitation	154,158,632	32,877,404	-	-	-	-	187,036,036
Finance Leased Assets	28,854,024	-	-	(28,854,024)	-	-	-
	<b>3,177,411,644</b>	<b>479,142,860</b>	<b>(4,150,242)</b>	<b>-</b>	<b>223,304</b>	<b>(73,081,312)</b>	<b>3,579,546,254</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	465,000	-	-	-	-	465,000
Buildings	35,377,303	-	-	-	(1,869,892)	33,507,411
Infrastructure	1,776,603,359	-	-	26,898,072	(64,776,487)	1,738,724,944
Other property, plant and equipment	46,672,822	6,217,299	(1,240,265)	-	(9,519,606)	42,130,250
Assets Under Construction- Water	1,531,466,875	411,456,393	-	(26,898,072)	-	1,916,025,196
Assets Under Construction- Sanitation	187,036,036	15,189,526	-	-	-	202,225,562
Assets Under Construction- Specialised Vehicle	-	2,086,796	-	-	-	2,086,796
	<b>3,577,621,395</b>	<b>434,950,014</b>	<b>(1,240,265)</b>	<b>-</b>	<b>(76,165,985)</b>	<b>3,935,165,159</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - Controlling entity - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	465,000	-	-	-	-	465,000
Buildings	36,701,682	514,418	-	-	(1,838,797)	35,377,303
Infrastructure	1,730,243,395	-	-	108,594,487	(62,234,523)	1,776,603,359
Other property, plant and equipment	27,513,631	3,121,790	(4,102,410)	28,854,024	(8,714,213)	46,672,822
Assets Under Construction - Water	1,197,472,262	442,589,098	-	(108,594,487)	-	1,531,466,873
Assets Under Construction- Sanitation	154,158,632	32,877,404	-	-	-	187,036,036
Finance Leased Assets	28,854,024	-	-	(28,854,024)	-	-
	<b>3,175,408,626</b>	<b>479,102,710</b>	<b>(4,102,410)</b>	<b>-</b>	<b>(72,787,533)</b>	<b>3,577,621,393</b>

The following are assets which are still in use but have been fully depreciated. These are assets whose useful lives have been reassessed over and over the years but are now at nil carrying values.

	Cost
Other Assets	1 652 359
Infrastructure Assets	2 284 664

The following water and infrastructure projects have been on hold for more than two years due to budget constraints

- 1) Kwabhacha Southleg Water
- 2) Tholamela Water
- 3) Ramohlakoana Sewer Reticulation
- 4) Feasibility studies

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.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 4. Intangible assets

Economic entity	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	6,967,502	(4,136,618)	2,830,884	6,595,663	(3,711,705)	2,883,958

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, internally generated	6,426,569	(3,668,947)	2,757,622	6,124,679	(3,283,135)	2,841,544

### Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,883,958	371,838	(424,912)	2,830,884

### Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, internally generated	2,908,131	313,021	19,999	(357,193)	2,883,958



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 4. Intangible assets (continued)

#### Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Additions	Amortisation	Total
Computer software, internally generated	2,841,544	301,890	(385,812)	2,757,622

#### Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Additions	Other changes, movements	Amortisation	Total
Computer software, internally generated	2,836,471	283,321	19,999	(298,247)	2,841,544

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand

### 5. Heritage assets

Economic entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	131,100	-	131,100	131,100	-	131,100

#### Reconciliation of heritage assets Controlling entity - 2019

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

#### Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Total
Art Collections, antiquities and exhibits	131,100	131,100

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>6. Staff Loans</b>				
Long Term Receivables	1,088,862	1,088,862	1,088,862	1,088,862
Impairment of loans to shareholders	1,088,862 (1,088,862)	1,088,862 (1,088,862)	1,088,862 (1,088,862)	1,088,862 (1,088,862)
	-	-	-	-
<b>7. Investments</b>				
<b>Designated at fair value</b>				
Nedbank Long Term Investments Terms and conditions	8,022,159	7,318,659	8,022,159	7,318,659
	8,022,159	7,318,659	8,022,159	7,318,659
	-	-	-	-
	-	-	-	-
<b>Non-current assets</b>				
Designated at fair value	8,022,159	7,318,659	8,022,159	7,318,659
Non-current assets	8,022,159	7,318,659	8,022,159	7,318,659
Current assets	-	-	-	-
<b>8. Operating lease asset (accrual)</b>				
Current assets	24,799	4,117	24,799	4,117
Current liabilities	(215,270)	(175,570)	(215,270)	(175,570)
	<b>(190,471)</b>	<b>(171,453)</b>	<b>(190,471)</b>	<b>(171,453)</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 9. Employee benefit obligations

#### Information on post retirements benefits

Employees belong to a variety of approved Pension and Provident Funds as described below. These funds are governed by Pension Funds Act and include both defined and defined contribution schemes. All these afore-mentioned schemes are multi employer plans and are subject to tri annual or annual valuation

#### Defined Contribution Schemes

Currently the municipality is making contributions to 3 defined contribution pension schemes namely Samwu National Provident Fund ( SANPF), Municipal Councillors Pension Fund (MCPF), Cape Joint Pension Fund (CJPF).

GRAP 25 requires the disclosure of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution to these contribution schemes for the year.

#### Defined Benefit Schemes

The municipality currently participates in Municipal Employees Pension Fund (MEPF), Government Employees Pension Fund (GEPF) Natal Joint Municipal Fund ( NJMPF), South African Local Authorities Pension Fund (SALA).

All these are multi employer schemes and sufficient information is not available for the municipality to fully comply with the requirements of GRAP 25 with regards to defined benefits scheme. Plan assets are presented as one portfolio and not notionally allocated to each participating employer, the plan financial assets are not constructed separately for each participating employer but rather in respect of the whole plan including all participating employees. Contribution rates do not vary by participating employers.

The standard requires disclosures of the amount recognised as an expense in the current financial year, reflecting the municipality's contribution paid to these defined schemes in respect of this period.

<b>Pension Contributions</b>	2019
Cape Joint Pension Fund	1,628,345
South African Municipal Provident Fund	4,500,798
Natal Joint Municipal Fund	866,133
Municipal Employees Pension Fund	8,738,031
South African Local Authorities Pension Fund	68,038
Gvt Employees Pension Fund	746,270
	<b>16,547,615</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>10. Inventories</b>				
Consumable stores	5,065,761	4,983,895	5,065,761	4,983,895
Water for distribution	7,373,080	5,763,704	7,373,080	5,763,704
	<b>12,438,841</b>	<b>10,747,599</b>	<b>12,438,841</b>	<b>10,747,599</b>
<b>10.1 Water Losses</b>				
Water Stock Opening Balance	207,190	207,460	207,190	207,460
Produced (volumes)	2,210,463	2,920,347	2,210,463	2,920,347
Less Water Sales	(1,535,294)	(1,913,952)	(1,535,294)	(1,913,952)
Less Water Stock Closing Balances	(214,264)	(207,190)	(214,264)	(207,190)
	<b>668,095</b>	<b>1,006,665</b>	<b>668,095</b>	<b>1,006,665</b>
Cost of producing one cubic meter	34	28	34	28
Water loss in rands	22,989,149	27,967,427	22,989,149	27,967,427
Water loss as a % of produced	30	34	30	34
<b>11. Receivables from exchange transactions</b>				
Consumer debtors - Water	49,414,675	46,296,521	49,414,675	46,296,521
Consumer debtors - Sewerage	2,341,796	2,115,253	2,341,796	2,115,253
Consumer debtors - Other	2,189,084	1,598,617	2,014,927	1,466,467
	<b>53,945,555</b>	<b>50,010,391</b>	<b>53,771,398</b>	<b>49,878,241</b>
<b>Gross Amount</b>				
Water	123,770,997	115,600,506	123,770,997	115,600,506
Sanitation	18,577,961	15,391,488	18,577,961	15,391,488
Other	3,436,045	3,042,849	3,261,888	2,910,699
	<b>145,785,003</b>	<b>134,034,843</b>	<b>145,610,846</b>	<b>133,902,693</b>
<b>Less Impairment provision</b>				
Water	(74,356,322)	(69,286,368)	(74,356,322)	(69,286,368)
Sanitation	(16,236,166)	(13,276,235)	(16,236,166)	(13,276,235)
Other	(1,246,961)	(1,461,849)	(1,246,961)	(1,461,849)
	<b>(91,839,449)</b>	<b>(84,024,452)</b>	<b>(91,839,449)</b>	<b>(84,024,452)</b>
<b>Net Balances</b>				
Water	49,414,675	46,314,138	49,414,675	46,314,138
Sanitation	2,341,795	2,115,253	2,341,795	2,115,253
Other	2,189,084	1,581,000	2,014,927	1,448,850
	<b>53,945,554</b>	<b>50,010,391</b>	<b>53,771,397</b>	<b>49,878,241</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 11. Receivables from exchange transactions (continued)

#### Water

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

Current ( 0-30 days)	3,723,200	4,292,803	3,723,200	4,292,803
31- 60 days	3,617,254	5,448,292	3,617,254	5,448,292
61-90 days	4,136,956	3,744,651	4,136,956	3,744,651
91-120 days	3,061,476	2,772,772	3,061,476	2,772,772
>120 days	109,232,110	99,341,988	109,232,110	99,341,988
	<b>123,770,996</b>	<b>115,600,506</b>	<b>123,770,996</b>	<b>115,600,506</b>

#### Sewerage

Current ( 0-30 days)	358,068	343,728	358,068	343,728
31- 60 days	348,221	328,925	348,221	328,925
61 -90 days	342,174	317,137	342,174	317,137
91- 120 days	338,310	304,532	338,310	304,532
>120 days	17,191,189	14,097,598	17,191,189	14,097,598
	<b>18,577,962</b>	<b>15,391,920</b>	<b>18,577,962</b>	<b>15,391,920</b>

#### Other

Current ( 0-30 days)	38,046	33,017	38,046	33,017
31 -60 days	33,017	33,017	33,017	33,017
61 -90 days	32,384	33,017	32,384	33,017
91- 120 days	-	32,730	-	32,730
> 120 days	3,332,598	2,910,636	3,158,441	2,778,486
	<b>3,436,045</b>	<b>3,042,417</b>	<b>3,261,888</b>	<b>2,910,267</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>11. Receivables from exchange transactions (continued)</b>				
<b>Summary of debtors by customer classification</b>				
<b>Consumers</b>				
Current (0-30 days)	909,481	847,086	909,481	847,086
31-60 days	882,897	1,387,071	882,897	1,387,071
61-90 days	1,197,894	1,428,807	1,197,894	1,428,807
91-120 days	1,066,433	814,660	1,066,433	814,660
>120 days	81,078,881	72,871,803	81,078,881	72,871,803
Subtotal	85,135,586	77,349,427	85,135,586	77,349,427
Less Impairment Provision	(71,631,265)	(64,258,161)	(71,631,265)	(64,258,161)
	<b>13,504,321</b>	<b>13,091,266</b>	<b>13,504,321</b>	<b>13,091,266</b>
<b>Industrial/ Commercial</b>				
Current (0-30 days)	436,666	360,783	436,666	360,783
31-60 days	273,598	652,022	273,598	652,022
61-90 days	395,448	591,825	395,448	591,825
91-120 days	454,995	430,000	454,995	430,000
>120 days	25,720,165	22,558,097	25,720,165	22,558,097
Subtotal	27,280,872	24,592,727	27,280,872	24,592,727
Less Impairment Provision	(7,134,460)	(6,198,506)	(7,134,460)	(6,198,506)
	<b>20,146,412</b>	<b>18,394,221</b>	<b>20,146,412</b>	<b>18,394,221</b>
<b>Churches</b>				
Current (0-30 days)	32,685	22,810	32,685	22,810
31-60 days	29,254	41,610	29,254	41,610
61-90 days	51,193	39,218	51,193	39,218
91-120 days	46,825	27,659	46,825	27,659
>120 days	1,869,612	1,744,123	1,869,612	1,744,123
Subtotal	2,029,569	1,875,420	2,029,569	1,875,420
Impairment Provision	(1,797,958)	(1,696,393)	(1,797,958)	(1,696,393)
	<b>231,611</b>	<b>179,027</b>	<b>231,611</b>	<b>179,027</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>11. Receivables from exchange transactions (continued)</b>				
The carrying amount of trade and other receivables are denominated in the following currencies:				
<b>National and Provincial Government</b>				
Current ( 0-30 days)	2,702,435	3,342,615	2,702,435	3,342,615
31-60 days	2,779,727	3,729,534	2,779,727	3,729,534
61-90 days	2,834,594	2,034,955	2,834,594	2,034,955
91-120 days	1,831,533	1,836,848	1,831,533	1,836,848
>120 days	18,344,086	17,669,512	18,344,086	17,669,512
Subtotal	28,492,375	28,613,464	28,492,375	28,613,464
Less Impairment provision	(10,040,737)	(10,468,314)	(10,040,737)	(10,468,314)
	<b>18,451,638</b>	<b>18,145,150</b>	<b>18,451,638</b>	<b>18,145,150</b>

<b>Other Sundry</b>				
Current (0- 30 days)	38,046	-	38,046	-
31- 60 days	33,017	-	33,017	-
61- 90 days	32,384	-	32,384	-
>120 days	2,743,153	1,603,806	2,568,996	1,471,656
Less Impairment	(1,235,030)	(1,403,079)	(1,235,030)	(1,403,079)
	<b>1,611,570</b>	<b>200,727</b>	<b>1,437,413</b>	<b>68,577</b>

<b>Total</b>				
Current (0-30 days)	4,119,314	4,669,117	4,119,314	4,669,117
31-60 days	3,998,493	5,810,234	3,998,493	5,810,234
61-90 days	4,511,513	4,094,805	4,511,513	4,094,805
91-120 days	3,399,786	3,110,034	3,399,786	3,110,034
>120 days	129,755,897	116,350,653	129,581,740	116,218,503
Subtotal	145,785,003	134,034,843	145,610,846	133,902,693
Less Impairment Provision	(91,839,449)	(84,024,452)	(91,839,449)	(84,024,452)
	<b>53,945,554</b>	<b>50,010,391</b>	<b>53,771,397</b>	<b>49,878,241</b>

### Reconciliation of provision for impairment of trade and other receivables

Opening balance	(84,024,452)	(92,334,370)	(84,024,452)	(92,334,370)
Provision for impairment	(7,814,997)	8,309,918	(7,814,997)	8,309,918
	<b>(91,839,449)</b>	<b>(84,024,452)</b>	<b>(91,839,449)</b>	<b>(84,024,452)</b>

### Consumer debtors pledged as security.

No consumer debtors were pledged as security during the year

### 12. Receivables from non-exchange transactions

Staff Debtors	410,546	671,645	410,546	671,645
Other Debtors	601,490	601,490	601,490	601,490
	<b>1,012,036</b>	<b>1,273,135</b>	<b>1,012,036</b>	<b>1,273,135</b>

### 13. VAT receivable

VAT	21,491,583	26,229,862	21,260,213	26,646,682
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VAT is payable on a cash basis once payment has been received from debtors then VAT is paid over to SARS



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>14. Cash and cash equivalents</b>				
Cash and cash equivalents consist of:				
Call Deposits	280,389,268	71,552,838	279,667,745	70,923,522
Bank balances	2,831,940	25,421,546	2,829,435	25,332,035
Bank overdraft	(24,879)	-	-	-
	<b>283,196,329</b>	<b>96,974,384</b>	<b>282,497,180</b>	<b>96,255,557</b>
Current assets	283,221,208	96,974,384	282,497,180	96,255,557
Current liabilities	(24,879)	-	-	-
	<b>283,196,329</b>	<b>96,974,384</b>	<b>282,497,180</b>	<b>96,255,557</b>

Short term deposits are investments with a maturity of less than 3 months and earn interest rates varying from 0% to 7.5% per annum.

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

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 14. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Main Account- Current Account #62024932974	21,280,286	28,448,579	14,182,983	2,829,436	25,332,037	185,482
ANDM Main Call Account # 62474364553	176,228,187	25,643,010	7,446,960	176,228,188	25,643,011	7,446,960
Attic Account- Call Account #62058639348	-	-	14,175	-	-	14,175
DBSA -Loan Account #62425228732	90,301,067	42,352,676	2,528	90,301,069	42,352,676	2,528
Rural Road Asset Management #62454657720	3,956	403,129	517,655	3,956	403,129	517,655
Regional Bulk Account #62027459371	16,276	75,967	25,424	16,276	75,967	25,424
EPWP Account # 62058637110	9,833	64,819	61,633	9,833	329,624	61,633
FMG Account # 62033034597	3,715	65,326	5,068	3,715	65,326	5,068
WSG Grant Account # 62033034448	56,600	115,244	32,153	56,600	115,244	32,153
MSIG Account #62027459256	-	-	4,859	-	-	4,859
Energy & Efficiency Account # 62027455808	31,184	11,490	505,800	31,184	11,490	505,800
Rural Housing and Development Account # 62027456559	-	-	3,467	-	-	3,467
Salaries & Allowances Account # 6202548855	12,670,980	123,110	154,372	12,670,980	123,110	154,372
Thetha/ ISDG Account # 62093560136	12,427	1,437,430	834,470	12,427	1,437,430	834,470
MIG Account # 62065368328	333,509	366,512	99,564	333,509	366,512	99,564
Petty Cash	-	-	-	7	-	-
FNB Bank- Main Account - 62215290355	(24,879)	17,839	745	(24,879)	17,839	745
FNB Bank Livestock Account- 62238128351	3,707	3,724	3,708	3,707	3,724	3,708
FNB- SMME Account- 6223812517	2,751	546,731	1,283	2,751	546,731	1,283
FNB Bank Tourism Call- 62238128781	1,186	1,337	1,451	1,186	1,337	1,451
FNB Bank- Fruit & Veg call account-62238129094	1,298	1,444	1,552	1,298	1,444	1,552
FND Bank- Wood cluster Call Account- 62238129804	1,321	1,466	1,573	1,321	1,466	1,483
FNB Bank- ANDA Reserve Fund Account-62238130231	706,384	69,768	407,211	706,384	69,768	407,211
FNB Bank- Grain Call Account- 62238127949	2,505	71,672	205,149	2,505	71,672	205,149
FNB Bank- Cut flower Call Account-2268	2,169	2,268	2,331	2,169	2,268	2,331
FNB Bank- Capacity building Call Amount-62723833621	1,103	1,044	-	1,103	1,039	-
FNB Bank- Resource Mobilisation	1,103	1,039	-	1,103	1,039	-
Petty Cash	-	-	-	500	-	-
<b>Total</b>	<b>301,646,668</b>	<b>99,825,624</b>	<b>24,516,114</b>	<b>283,196,328</b>	<b>96,973,883</b>	<b>10,518,523</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 15. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Systems Implementation Grant	(1)	(1)	(1)	(1)
Infrastructure Skills Development Grant	3	3	3	3
Regional Bulk Grant	1	-	1	-
	<b>3</b>	<b>2</b>	<b>3</b>	<b>2</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 16. Provisions

#### Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	-	1,200,000	-	1,200,000
Long Service Award- Current	897,048	-	(231,970)	665,078
Lon Service Award- Non Current	6,660,419	2,262,391	-	8,922,810
	<b>7,557,467</b>	<b>3,462,391</b>	<b>(231,970)</b>	<b>10,787,888</b>

#### Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Additions	Total
Long Service Award- Current	1,097,790	(200,742)	897,048
Long Service Award- Non Current	6,086,462	573,957	6,660,419
	<b>7,184,252</b>	<b>373,215</b>	<b>7,557,467</b>

#### Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Additions	Utilised during the year	Total
Legal proceedings	-	1,200,000	-	1,200,000
Long Service Award- Current	897,048	-	(231,970)	665,078
Long Service Award- Non Current	6,660,419	2,262,391	-	8,922,810
	<b>7,557,467</b>	<b>3,462,391</b>	<b>(231,970)</b>	<b>10,787,888</b>

#### Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Additions	Total
Long Service Award- Current	1,097,790	(200,742)	897,048
Long Service Award- Non Current	6,086,462	573,957	6,660,419
	<b>7,184,252</b>	<b>373,215</b>	<b>7,557,467</b>
Non-current liabilities	8,922,810	6,660,419	8,922,810
Current liabilities	1,865,078	897,048	1,865,078
	<b>10,787,888</b>	<b>7,557,467</b>	<b>10,787,888</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 16. Provisions (continued)

#### Long Service Awards

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long- service award is payable after five years of continuous service and every five years thereafter to employees. The provision is an estimate of the long service based on historical staff turnover. No other long service benefits are provided to employees. These provisions are made to enable the municipality to be in a position to fulfil its known legal obligations when they become due and payable.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 463 ( 2018: 448) employees were eligible for Long Service Awards.

Staff leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

#### Litigation Provision

On the 26th of June 2019, the High Court of South Africa, Mthatha, delivered a judgement against the municipality on an old case between the municipality and Ms Z Mgwebi. The two parties are to meet to discuss the quantum of the compensation.

#### The principal assumptions used for the purpose of the actuarial valuations were based as follows

Discount rate %	8	9	8	9
Cost Inflation %	6	6	6	6
Net Effective Discount Rate %	2	2	2	2
Expected Retirement age - Females	60	60	60	60
Expected Retirement age - Males	65	65	65	65
	<b>141</b>	<b>142</b>	<b>141</b>	<b>142</b>

#### Movements in the present value of the Defined Obligation were as follows

Balance at the beginning of the year	-	7,557,467	7,184,252	7,557,467	7,184,252
Current Service Cost	-	944,015	867,505	944,015	867,505
Interest cost	-	607,176	556,699	607,176	556,699
Benefit paid	-	(897,048)	(1,097,790)	(897,048)	(1,097,790)
Actuarial (gains) losses	-	1,376,278	46,801	1,376,278	46,801
	-	<b>9,587,888</b>	<b>7,557,467</b>	<b>9,587,888</b>	<b>7,557,467</b>

#### The amounts recognised in the Statement of Financial Performance are as follows

Current service cost	944,015	867,505	944,015	867,505
Interest cost	607,176	556,699	607,176	556,699
Actuarial loss (gain)	887,443	(484,944)	887,443	(484,944)
	<b>2,438,634</b>	<b>939,260</b>	<b>2,438,634</b>	<b>939,260</b>

#### The history of experienced adjustments is as follows

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Present value of Defined Value obligation	9,587,888	7,557,467	7,184,252	7,285,122

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 17. Long Term Loan

Annuity loan is with the Development Bank of South Africa over a period of 25 years and at an interest rate of 11.47% per annum.

The municipality did not default on any payment of its Long Term Liabilities. No terms for payment were re-negotiated by the municipality.

An Investment with Nedbank (Account Number 7881111046/0002) has been ceded as security for the loan

#### Development Bank of South Africa

Non Current at Amortised Cost	4,436,078	6,669,086	4,436,078	6,669,086
Current at Amortised cost	770,706	952,631	770,706	952,631
	<b>5,206,784</b>	<b>7,621,717</b>	<b>5,206,784</b>	<b>7,621,717</b>

### 18. Payables from non-exchange transactions

These are payments made by customers in advance of consumption.

Advance Payments by Customers	1,178,433	378,373	1,178,433	378,373
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### 19. Payables from exchange transactions

Trade payables	5,741,700	2,374,382	4,871,302	828,422
Accruals	51,038,387	49,169,593	51,038,387	49,064,301
Accrued leave pay	23,362,654	20,358,480	22,504,078	20,127,818
Accrued bonus	4,622,743	4,322,731	4,622,743	4,322,731
Retentions	57,014,352	60,997,132	57,014,352	60,997,132
Third party payments	115,641	109,240	6,449	108,904
Other Creditors	2,776	2,776	2,775	2,775
	<b>141,898,253</b>	<b>137,334,334</b>	<b>140,060,086</b>	<b>135,452,083</b>

### 20. VAT payable

Tax refunds payables	150,232,135	85,966,954	150,232,135	85,550,136
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### 21. Revenue

Service charges	36,032,350	35,697,756	36,032,350	35,697,756
Rental of facilities and equipment	453,061	432,839	369,583	348,812
Agency services	221,502	173,800	221,502	173,800
Reversal of Impairment Loss	-	8,309,918	-	8,309,918
Other income	2,824,208	1,283,869	2,816,165	882,785
Interest received - investment	38,972,717	25,364,674	38,857,409	25,263,602
Government grants & subsidies	1,039,338,172	1,029,847,778	1,038,098,210	1,023,247,897
	<b>1,117,842,010</b>	<b>1,101,110,634</b>	<b>1,116,395,219</b>	<b>1,093,924,570</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>21. Revenue (continued)</b>				
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>				
Service charges	36,032,350	35,697,756	36,032,350	35,697,756
Rental of facilities and equipment	453,061	432,839	369,583	348,812
Agency services	221,502	173,800	221,502	173,800
Reversal of Impairment Loss	-	8,309,918	-	8,309,918
Other income	2,824,208	1,283,869	2,816,165	882,785
Interest received - investment	38,972,717	25,364,674	38,857,409	25,263,602
	<b>78,503,838</b>	<b>71,262,856</b>	<b>78,297,009</b>	<b>70,676,673</b>

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

**Taxation revenue**

**Transfer revenue**

Government grants & subsidies	1,039,338,172	1,029,847,778	1,038,098,210	1,023,247,897
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**22. Service charges**

Sale of water	32,549,994	32,465,743	32,549,994	32,465,743
Sewerage and sanitation charges	3,482,356	3,232,013	3,482,356	3,232,013
	<b>36,032,350</b>	<b>35,697,756</b>	<b>36,032,350</b>	<b>35,697,756</b>

**23. Rental of facilities and equipment**

**Premises**

Premises	453,061	432,839	369,583	348,812
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**24. Other revenue**

Other income	2,824,208	1,283,869	2,816,165	882,785
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**25. Other income**

Clearance fees	1,894,421	289,167	1,894,421	289,167
Fire Levy	18,270	11,778	18,270	11,778
Sundry Income	911,517	982,924	903,474	581,840
	<b>2,824,208</b>	<b>1,283,869</b>	<b>2,816,165</b>	<b>882,785</b>

**26. Investment revenue**

**Interest revenue**

Call Deposits	26,152,160	14,943,183	26,036,852	14,842,111
Debtors discounting	12,820,557	10,421,491	12,820,557	10,421,491
	<b>38,972,717</b>	<b>25,364,674</b>	<b>38,857,409</b>	<b>25,263,602</b>
	-	-	-	-
	38,972,717	25,364,674	38,857,409	25,263,602

**27. Transfers and subsidies paid**

**Other subsidies**

Other Grants	9,495,375	375,312	26,886,679	17,888,335
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# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>27. Transfers and subsidies paid (continued)</b>	-	-	-	-
	-	-	-	-



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>28. Government grants and subsidies</b>				
<b>Operating grants</b>				
Equitable share	510,344,000	437,586,120	510,344,000	437,586,120
Finance Management Grant	1,865,000	1,795,000	1,865,000	1,795,000
Service SETA	1,239,962	6,599,881	-	-
Local Government SETA	373,796	634,493	373,796	634,493
Human Settlement Grant	-	22,715,146	-	22,715,146
Energy Efficiency and Demand Management	6,000,000	5,000,000	6,000,000	5,000,000
Expanded Public Works Programme	10,844,000	10,280,000	10,844,000	10,280,000
Water Services Infrastructure Grant	110,000,000	109,999,999	110,000,000	109,999,999
Municipal Infrastructure Grant	347,914,000	373,989,000	347,914,000	373,989,000
Regional Bulk Infrastructure Grant	43,067,414	53,569,139	43,067,414	53,569,139
Department of Transport	2,290,000	2,285,000	2,290,000	2,285,000
Infrastructure Skills Development Grant	5,400,000	5,394,000	5,400,000	5,394,000
	<b>1,039,338,172</b>	<b>1,029,847,778</b>	<b>1,038,098,210</b>	<b>1,023,247,897</b>
	1,039,338,172	1,029,847,778	1,038,098,210	1,023,247,897
	-	-	-	-

### Equitable Share

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

During the year, the municipality received its draw downs as per National Treasury indicatives.

### Expanded Public Works Programme

Current year receipts	10,844,000	10,280,000	10,844,000	10,280,000
Conditions met - transferred to revenue	(10,844,000)	(10,280,000)	(10,844,000)	(10,280,000)
	-	-	-	-

EPWP grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in the following identified focus areas, in compliance with the EPWP guidelines: road maintenance and maintenance of buildings, low traffic volume roads and rural roads, basic services, infrastructure, including water and sewer reticulation, sanitation, pipelines (excluding bulk infrastructure) other economic and social infrastructure, tourism and cultural industries, waste management, parks and beautification, sustainable land based livelihoods, social services programmes and community safety programmes.

During the year, the municipality received its draw downs as per National Treasury indicatives

### Finance Management Grant

Current-year receipts	1,865,000	1,795,000	1,865,000	1,795,000
Conditions met - transferred to revenue	(1,865,000)	(1,795,000)	(1,865,000)	(1,795,000)
	-	-	-	-

The Finance Management Grant is allocated to municipalities to assist in building in house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

During the year, the municipality received its draw downs as per National Treasury indicatives.

### Municipal Infrastructure Grant

Current-year allocations	367,914,000	373,989,000	367,914,000	373,989,000
Conditions met - transferred to revenue	(347,914,000)	(373,989,000)	(347,914,000)	(373,989,000)
Withheld by treasury	(20,000,000)	-	(20,000,000)	-

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 28. Government grants and subsidies (continued)

- - - -

The grant is meant to eradicate basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities.

During the year, the municipality had R20 million withheld by treasury after failing to spend allocations in the stipulated time.

#### Department of Transport

Current-year receipts	2,290,000	2,285,000	2,290,000	2,285,000
Conditions met - transferred to revenue	(2,290,000)	(2,285,000)	(2,290,000)	(2,285,000)
	-	-	-	-

Conditions still to be met - remain liabilities The grant is used to supplement projects for the repair of roads and bridges damaged declared natural disasters.

During the year, the municipality received its draw downs as per National Treasury indicatives

#### Water Services Infrastructure Grant

Balance unspent at beginning of year	-	(1)	-	(1)
Current-year receipts	110,000,000	110,000,000	110,000,000	110,000,000
Conditions met - transferred to revenue	(110,000,000)	(109,999,999)	(110,000,000)	(109,999,999)
	-	-	-	-

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

During the year, the municipality received its draw downs as per National Treasury indicatives.

#### Infrastructure Skills Development Grant

Balance unspent at beginning of year	-	405,122	-	405,122
Current-year receipts	5,400,000	5,394,000	5,400,000	5,394,000
Conditions met - transferred to revenue	(5,400,000)	(5,394,000)	(5,400,000)	(5,394,000)
Other	-	(405,122)	-	(405,122)
	-	-	-	-

To recruit unemployed graduates into municipalities to be trained as the requirements of the relevant statutory councils within the built environment.

During the year, the municipality received its draw downs as per National Treasury indicatives.

#### Regional Bulk Grant

Current-year receipts	43,067,414	53,569,139	43,067,414	53,569,139
Conditions met - transferred to revenue	(43,067,414)	(53,569,139)	(43,067,414)	(53,569,139)
	-	-	-	-

The grant was used for construction of dams which will provide sustainable water supply to the communities of Umzimvubu ana Matatiele local areas. The grant is transferred from DWA.

During the year, the municipality received its draw downs as per National Treasury indicatives.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>28. Government grants and subsidies (continued)</b>				
<b>Energy Efficiency</b>				
Current-year receipts	6,000,000	5,000,000	6,000,000	5,000,000
Conditions met - transferred to revenue	(6,000,000)	(5,000,000)	(6,000,000)	(5,000,000)
	-	-	-	-

To provide subsidies to municipalities to implement energy efficiency and demand side management initiatives within municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

During the year, the municipality received its draw downs as per National Treasury indicativesy

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>29. Employee related costs</b>				
Basic	166,919,346	157,985,714	161,038,916	151,908,114
Bonus	9,836,386	8,983,687	9,836,386	8,983,687
Medical aid - company contributions	9,342,841	8,315,015	8,638,303	7,856,085
UIF	936,023	1,240,225	902,584	1,208,109
SDL	1,915,659	1,805,571	1,836,000	1,719,631
Leave pay provision charge	5,036,730	4,449,220	4,755,226	4,178,900
Defined contribution plans	17,242,244	15,834,761	16,547,617	15,279,212
Overtime payments	1,241,211	565,796	1,241,211	565,796
Long-service awards	1,551,190	1,424,204	1,551,190	1,424,204
Transport allowance (bus coupons)	17,165,971	15,571,837	15,909,450	14,693,623
Housing benefits and allowances	7,268,372	7,785,717	7,268,372	7,785,717
Stand by Allowances	890,869	197,355	890,869	197,355
Shift Allowances	14,546,744	13,801,483	14,546,744	13,801,483
Bargaining Council	51,329	45,601	51,329	45,601
	<b>253,944,915</b>	<b>238,006,186</b>	<b>245,014,197</b>	<b>229,647,517</b>

### Remuneration of Municipal Manager

Annual Remuneration	1,022,414	1,077,203	1,022,414	1,077,203
Car Allowance	118,277	88,874	118,277	88,874
Annual Bonus	83,459	36,493	83,459	36,493
Contributions to UIF, Medical and Pension Funds	16,704	15,252	16,704	15,252
Other	473,109	381,892	473,109	381,892
	<b>1,713,963</b>	<b>1,599,714</b>	<b>1,713,963</b>	<b>1,599,714</b>

### Remuneration of Chief Finance Officer

Annual Remuneration	1,066,921	547,272	1,066,921	547,272
Car Allowance	266,113	243,200	266,113	243,200
Annual Bonus	46,200	69,028	46,200	69,028
Contributions to UIF, Medical and Pension Funds	13,972	13,155	13,972	13,155
Other	-	456,974	-	456,974
	<b>1,393,206</b>	<b>1,329,629</b>	<b>1,393,206</b>	<b>1,329,629</b>

### Remuneration of Senior Manager - Community Services

Annual Remuneration	968,746	967,787	968,746	967,787
Car Allowance	10,091	148,535	10,091	148,535
Annual Bonus	-	77,496	-	77,496
Contributions to UIF, Medical and Pension Funds	11,737	16,218	11,737	16,218
Other	25,228	416,007	25,228	416,007
	<b>1,015,802</b>	<b>1,626,043</b>	<b>1,015,802</b>	<b>1,626,043</b>

### Remuneration of Senior Manager- Corporate Services

Annual Remuneration	726,559	172,826	726,559	172,826
Car Allowance	302,733	72,011	302,733	72,011
Annual Bonus	59,812	-	59,812	-
Contributions to UIF, Medical and Pension Funds	13,591	3,086	13,591	3,086
Other	121,093	28,804	121,093	28,804
	<b>1,223,788</b>	<b>276,727</b>	<b>1,223,788</b>	<b>276,727</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 29. Employee related costs (continued)

#### Remuneration of Senior Manager -Technical Services

Annual Remuneration	688,444	964,731	688,444	964,731
Car Allowance	223,704	199,253	223,704	199,253
Annual Bonus	73,860	53,411	73,860	53,411
Contributions to UIF, Medical and Pension Funds	13,983	15,868	13,983	15,868
Other	177,816	155,931	177,816	155,931
	<b>1,177,807</b>	<b>1,389,194</b>	<b>1,177,807</b>	<b>1,389,194</b>

#### Remuneration of Senior Manager -Planning and Economic Development

Annual Remuneration	606,450	873,650	606,450	873,650
Car Allowance	105,261	70,723	105,261	70,723
Annual Bonus	47,571	89,834	47,571	89,834
Contributions to UIF, Medical and Pension Funds	11,548	16,210	11,548	16,210
Other	248,467	424,336	248,467	424,336
	<b>1,019,297</b>	<b>1,474,753</b>	<b>1,019,297</b>	<b>1,474,753</b>

Remuneration of staff is within the upper limits of the SALGA bargaining council determinations.

### 30. Remuneration of councillors

Councillors	10,413,104	9,803,063	10,413,104	9,803,063
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#### Remuneration of councillors

Executive Mayor	859,471	826,414	859,471	826,414
Deputy Executive Mayor	393,890	661,129	393,890	661,129
Speaker	687,575	649,262	687,575	649,262
Chief Whip	732,960	619,811	732,960	619,811
Mayoral Committee	5,321,369	4,721,790	5,321,369	4,721,790
Councillors	2,417,840	2,324,657	2,417,840	2,324,657
	<b>10,413,105</b>	<b>9,803,063</b>	<b>10,413,105</b>	<b>9,803,063</b>

The allowances and benefits of councillors as disclosed above are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this act.

### 31. Litigation Expenditure

Legal fees	9,479,174	17,936,661	9,479,174	17,936,661
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### 32. Depreciation and amortisation

Property, plant and equipment	76,860,445	73,484,976	76,551,797	73,084,417
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# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>33. Finance costs</b>				
Interest on Overdue Accounts	13,428	42,660	13,428	42,660
Finance leases	-	338,493	-	338,493
Late payment of tax	-	452,215	-	452,215
DBSA Loan	725,915	889,663	725,915	889,663
	<b>739,343</b>	<b>1,723,031</b>	<b>739,343</b>	<b>1,723,031</b>
<b>34. Debt impairment</b>				
Debt impairment	7,814,997	244,496	7,814,997	244,496
<b>35. Bulk purchases</b>				
Water	8,910,629	7,973,001	8,910,629	7,973,001
<b>36. Contracted services</b>				
Security Services	19,283,117	12,990,240	19,283,117	12,990,240
Specialist Services	282,688	338,623	282,688	338,623
Other Contractors	23,709,660	28,239,065	23,709,660	28,239,065
Total	43,275,465	41,567,928	43,275,465	41,567,928
	-	-	-	-
	-	-	-	-
	-	-	-	-
<b>37. General expenses</b>				
Advertising	4,400,205	930,973	4,351,186	893,923
Auditors remuneration	7,288,452	7,262,447	6,031,096	5,977,066
Bank charges	777,428	861,150	754,501	836,754
Cleaning	492,849	2,306,671	473,538	2,296,942
Consulting and professional fees	8,762,029	8,869,553	6,551,264	6,561,577
Consumables	8,748,594	1,044,125	8,748,594	1,044,125
Insurance	1,887,899	1,094,068	1,789,127	969,969
Conferences and seminars	1,765,676	2,165,098	1,765,676	2,165,098
Fuel and oil	3,595,416	1,659,633	3,588,677	1,652,093
Printing and stationery	950,865	1,852,730	828,889	1,776,835
Protective clothing	3,658,170	2,312,590	3,658,170	2,312,590
Project expenditure	2,741,487	6,613,539	-	-
Software expenses	141,710	260,712	141,710	260,712
Subscriptions and membership fees	2,719,150	2,685,265	2,719,150	2,680,265
Telephone and fax	8,104,410	7,412,342	7,629,411	6,975,756
Training	-	213,535	-	-
Travel - local	21,572,239	12,550,194	20,901,288	11,352,514
Electricity	11,889,240	12,898,114	11,765,706	12,778,865
Accommodation	4,224,484	4,533,195	4,057,167	4,271,856
Audit Committee	785,378	648,065	641,378	388,885
Catering and Venue Hire	3,367,346	1,735,425	3,187,455	1,669,168
Licence Fees	10,113,181	7,910,102	9,646,969	7,792,633
Other expenses	7,629,900	9,444,663	7,604,120	9,394,653
	<b>115,616,108</b>	<b>97,264,189</b>	<b>106,835,072</b>	<b>84,052,279</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>38. Auditors' remuneration</b>				
Fees	7,288,452	7,262,447	6,031,096	5,977,066
<b>39. Cash generated from operations</b>				
Surplus	537,326,818	572,600,445	536,562,138	569,977,417
<b>Adjustments for:</b>				
Depreciation and amortisation	76,860,445	73,484,976	76,551,797	73,084,417
Gain on sale of assets and liabilities	1,234,802	3,574,831	1,240,265	3,574,831
Actuarial ( Gains) Loss	897,443	(484,944)	897,443	(484,944)
Finance costs	144,938	42,660	144,938	42,660
Interest income on debtors discounting	(12,820,557)	(10,421,491)	(12,820,557)	(10,421,491)
Reversal of Impairment	-	(8,309,918)	-	(8,309,918)
Debt impairment	7,814,997	244,496	7,814,997	244,496
Movements in operating lease assets and accruals	19,018	-	19,018	-
Movements in provisions	3,230,421	373,215	3,230,421	373,215
Increase in leave provision	281,505	270,320	-	-
Leave Gratuity	(194,230)	-	-	-
Corrections	(14,699)	-	-	-
Other non-cash items	(3,598)	4,938,386	-	-
<b>Changes in working capital:</b>				
Inventories	(1,691,242)	(2,608,578)	(1,691,242)	(2,608,578)
Receivables from exchange transactions	(11,750,160)	(19,416,380)	(11,708,153)	(19,416,380)
Consumer debtors	-	(170,131)	-	(170,131)
Other receivables from non-exchange transactions	261,099	-	261,099	-
Payables from exchange transactions	4,484,863	(46,530,307)	4,608,003	(44,328,525)
VAT	4,738,281	(11,023,461)	5,386,470	(4,737,417)
Unspent conditional grants and receipts	1	(405,120)	1	(405,120)
PAYE	79,057	-	-	-
Overdraft	(24,879)	-	-	-
Payables from Non Exchange Transactions	800,087	1,915	800,087	1,915
	<b>611,674,410</b>	<b>556,160,914</b>	<b>611,296,725</b>	<b>556,416,447</b>

### 40. Financial instruments disclosure

#### Categories of financial instruments

##### Economic entity - 2019

##### Financial assets

	At fair value	At amortised cost	Total
Long Term Investments	8,022,159	-	8,022,159
Loans to directors, managers and employees	-	53,945,555	53,945,555
Other receivables from non-exchange transactions	-	1,012,036	1,012,036
Cash and cash equivalents	283,221,208	-	283,221,208
VAT Receivable	-	21,491,583	21,491,583
Operating Lease Asset	-	24,799	24,799
	<b>291,243,367</b>	<b>76,473,973</b>	<b>367,717,340</b>

##### Financial liabilities

	At amortised cost	Total
Long Term Loan	5,206,785	5,206,785

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>40. Financial instruments disclosure (continued)</b>				
Trade and other payables from exchange transactions			141,898,253	141,898,253
Operating lease Asset			215,269	215,269
Bank overdraft			24,879	24,879
Payables from Non Exchange Transactions			1,178,433	1,178,433
			<b>148,523,619</b>	<b>148,523,619</b>

### Economic entity - 2018

#### Financial assets

	At fair value	At amortised cost	Total
Long Term Investments	-	7,318,659	7,318,659
Trade and other receivables from exchange transactions	-	50,010,391	50,010,391
Other receivables from non-exchange transactions	-	1,273,135	1,273,135
Cash and cash equivalents	96,974,384	-	96,974,384
VAT	-	26,229,862	26,229,862
Operating Lease Asset	-	4,117	4,117
	<b>96,974,384</b>	<b>84,836,164</b>	<b>181,810,548</b>

#### Financial liabilities

	At amortised cost	Total
DBSA Loan	7,621,717	7,621,717
Trade and other payables from exchange transactions	137,334,334	137,334,334
Operating lease	175,570	175,570
Unallocated credits	378,373	378,373
	<b>145,509,994</b>	<b>145,509,994</b>

### Controlling entity - 2019

#### Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	-	100	100
Long Term Investments	8,022,159	-	-	8,022,159
Trade and other receivables from exchange transactions	-	53,771,397	-	53,771,397
Other receivables from non-exchange transactions	-	1,012,036	-	1,012,036
Cash and cash equivalents	282,497,180	-	-	282,497,180
VAT Receivable	-	21,260,211	-	21,260,211
Operating lease asset	-	24,799	-	24,799
	<b>290,519,339</b>	<b>76,068,443</b>	<b>100</b>	<b>366,587,882</b>

#### Financial liabilities

	At amortised cost	Total
Term Loan	5,206,785	5,206,785
Trade and other payables from exchange transactions	140,060,086	140,060,086
Operating lease liability	215,269	215,269
Payables from Non Exchange Transactions	1,178,433	1,178,433
	<b>146,660,573</b>	<b>146,660,573</b>



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 40. Financial instruments disclosure (continued)

#### Controlling entity - 2018

##### Financial assets

	At fair value	At amortised cost	At cost	Total
Unlisted Investments	-	-	100	100
Other financial assets	7,318,659	-	-	7,318,659
Trade and other receivables from exchange transactions	-	49,878,241	-	49,878,241
Other receivables from non-exchange transactions	-	1,273,135	-	1,273,135
VAT	-	26,646,686	-	26,646,686
Cash and cash equivalents	96,255,559	-	-	96,255,559
Operating lease asset	-	4,117	-	4,117
	<b>103,574,218</b>	<b>77,802,179</b>	<b>100</b>	<b>181,376,497</b>

##### Financial liabilities

	At amortised cost	Total
DBSA Loan	7,621,717	7,621,717
Trade and other payables from exchange transactions	135,452,088	135,452,088
Operating leases	175,570	175,570
Unallocated credits	378,373	378,373
	<b>143,627,748</b>	<b>143,627,748</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>41. Commitments</b>				
<b>Authorised capital expenditure</b>				
<b>Approved and contracted for</b>				
• Property, plant and equipment	969,820,204	710,774,168	969,758,009	710,774,168
<b>Total capital commitments</b>				
Approved and contracted for	969,820,204	-	969,758,009	710,774,168

The committed expenditure relates to property and will be financed by grants and internally generated funds.

### Operating leases - Buildings Expenses

<b>Minimum lease payments due</b>				
- within one year	356,071	327,067	356,071	327,067
- in second to fifth year inclusive	1,388,832	1,272,850	1,388,832	1,272,850
- later than five years	394,908	666,980	394,908	666,980
	<b>2,139,811</b>	<b>2,266,897</b>	<b>2,139,811</b>	<b>2,266,897</b>

Operating lease payments represent rentals payable by the municipality for certain of its properties. No contingent rent is payable.

### Operating lease Equipment

Within one year	435,215	740,709	435,215	740,709
In Second to fifth year inclusive	-	617,258	-	617,258
	<b>435,215</b>	<b>1,357,967</b>	<b>435,215</b>	<b>1,357,967</b>

### Operating leases - as lessor (income)

<b>Minimum lease payments due</b>				
- within one year	373,327	348,904	373,327	348,904
- in second to fifth year inclusive	329,044	702,371	329,044	702,371
	<b>702,371</b>	<b>1,051,275</b>	<b>702,371</b>	<b>1,051,275</b>

Certain of the municipality's excess office space at the main offices is rented out to third parties. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>42. Contingencies</b>				
<b>Contingent liabilities</b>				
<b>Contingent Liabilities</b>				
ANDM vs Z Mgwebi	-	1,200,000	-	1,200,000
ANDM vs Makwazine	115,000	115,000	115,000	115,000
ANDM vs J and G	1,541,600	1,541,600	1,541,600	1,541,600
ANDM vs Zolani Gulwa	566,189	566,189	566,189	566,189
ANDM vs Sinezipho Urban	1,544,713	1,544,713	1,544,713	1,544,713
ANDM vs Gelstat	-	10,899,400	-	10,899,400
ANDM vs Jack Zulu	-	17,250	-	17,250
ANDM vs Mabandla	-	-	-	6,572
ANDM vs Phirimane	28,200	-	28,200	28,200
ANDM vs Rob Potow	24,522	-	24,522	24,522
ANDM vs Amangcuse Security	-	705,346	-	705,346
ANDM vs Peranho Pty Ltd	-	1,289,050	-	1,289,050
ANDM vs Moko Corporate	375,927	-	375,927	375,927
ANDM vs Ayanda Mafunda	-	16,508	-	16,508
ANDM vs Supa Brick	127,782	-	127,782	127,782
ANDM vs Ronnies Motors	250,000	-	250,000	250,000
ANDM vs PDNA	68,400	-	68,400	68,400
ANDM vs Boti	25,187	-	25,187	25,187
ANDM vs Natal Joint Municipal Pension Fund	147,937	-	147,937	147,937
ANDM vs Eugene Nel and Anand Jayraj	2,990,117	2,990,117	2,990,117	2,990,117
ANDM vs Sikholelo Maphukutha	6,600,000	6,600,000	6,600,000	6,600,000
ANDM vs Uvikela Security	333,192	333,192	333,192	333,192
ANDM vs Arule Security	1,392,679	1,392,679	1,392,679	1,392,679
ANDM vs ECDC	114,240	114,240	114,240	114,240
ANDM vs SKL Security	-	686,609	-	686,609
ANDM vs Ikamva Lolutsha	40,072	40,072	40,072	40,072
ANDM vs Hlumie Security	-	577,500	-	577,500
ANDM vs Sihlangane	-	235,585	-	235,585
ANDM vs Malukazi	1,914,259	1,914,259	1,914,259	1,914,259
ANDM vs Affinity Solutions	313,505	313,505	313,505	313,505
ANDM vs Royal Hasking	1,259,500	1,259,500	1,259,500	1,259,500
ANDM Madikizela	3,000,000	-	3,000,000	-
	<b>22,773,021</b>	<b>34,352,314</b>	<b>22,773,021</b>	<b>35,406,841</b>

### Contingent assets

ANDM vs Nontuthuzelo	6,907	6,907	6,907	6,907
ANDM vs Bulelani	1,079	1,079	1,079	1,079
ANDM vs MP Civils	-	37,000	-	37,000
	<b>7,986</b>	<b>44,986</b>	<b>7,986</b>	<b>44,986</b>

### 43. Related parties

#### Related party transactions

With regards to remuneration of Section 56 managers, please refer to note 30 which details the remuneration to Senior Managers

### 44. Prior period errors

Prior period has been amended to account for prior period errors

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 44. Prior period errors (continued)

Below is a summary of the total effect that the prior errors, changes in accounting policies and reclassification of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual error with the amounts involved

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

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>44. Prior period errors (continued)</b>				
<b>Statement of Financial Performance for the year ended 2018</b>				
	Balance as previously reported	Prior period error	Restated Balance	
Service charges	35,697,756	-	35,697,756	
Rental of facilities	428,722	4,117	432,839	
Agency services	173,800	-	173,800	
Other income	1,283,869	-	1,283,869	
Reversal of Provision for Impairment	8,309,918	-	8,309,918	
Interest received - investment	25,364,674	-	25,364,674	
Government grants and subsidies	1,029,847,778	-	1,029,847,778	
Actuarial gain	-	484,944	484,944	
Revenue Total	1,101,106,517	489,061	1,101,595,578	
Employee Related Costs	(236,933,801)	(1,072,385)	(238,006,186)	
Remuneration of Councillors	(9,803,063)	-	(9,803,063)	
General Expenses	(93,620,940)	(3,643,249)	(97,264,189)	
Litigation Expenditure	(2,814,985)	(15,121,676)	(17,936,661)	
Debt Impairment	(244,496)	-	(244,496)	
Depreciation and amortisation	(73,449,483)	(35,493)	(73,484,976)	
Finance Costs	(1,743,722)	20,691	(1,723,031)	
Repairs and maintenance	(33,439,048)	(2,422,380)	(35,861,428)	
Bulk purchases	(7,965,560)	(7,441)	(7,973,001)	
Contracted services	(40,051,069)	(1,516,859)	(41,567,928)	
Transfers and subsidies	(375,312)	-	(375,312)	
Gain or loss on disposal	(3,574,831)	-	(3,574,831)	
Actuarial gains or loss	(46,801)	46,801	-	
Operating leases	(1,180,031)	-	(1,180,031)	
<b>Surplus for the year</b>	<b>595,863,375</b>	<b>(23,262,930)</b>	<b>572,600,445</b>	
<b>Statement of Financial Position as at 30 June 2018</b>				
	Balances as previously reported	Prior period errors	Restated Balance	
Inventories	10,772,899	(25,300)	10,747,599	
Receivables from exchange transactions	49,924,639	85,752	50,010,391	
Receivables from non- exchange transactions	1,273,135	-	1,273,135	
VAT Receivable	22,153,902	4,075,960	26,229,862	
Cash and cash equivalents	95,379,930	1,594,456	96,974,386	
Property Plant and Equipment	3,588,691,218	(9,144,963)	3,579,546,255	
Intangible Assets	2,863,959	20,000	2,883,959	
Heritage Assets	131,100	-	131,100	
Investments	7,318,659	-	7,318,659	
Operating lease asset	-	4,117	4,117	
Subtotal	3,778,509,441	(3,389,978)	3,775,119,463	
Operating lease	(175,570)	-	(175,570)	
Payables from exchange transactions	(130,017,403)	(7,316,931)	(137,334,334)	
Unspent Conditional Grants	(2)	-	(2)	
Provisions	(897,048)	-	(897,048)	
Current Portion of Long Term Loan	(952,631)	-	(952,631)	
Payables from non exchange from transactions	(378,373)	-	(378,373)	
Provisions	(6,660,419)	-	(6,660,419)	
Long Term Loan	(6,669,086)	-	(6,669,086)	
Opening Accumulated surplus	(3,632,758,909)	10,706,909	(3,622,052,000)	
	-	-	-	

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>44. Prior period errors (continued)</b>				
<b>Statement of financial position</b>				
<b>Accumulated Surplus</b>				
Unrecorded liabilities for prior years				1,185,883
Correction of accruals balances				(13,741,902)
				<b>(12,556,019)</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

### 44. Prior period errors (continued)

#### Statement of Financial Performance

##### Rental Income

An adjustment of R4 137 was made to rental income for the year as a result of the use of the correct monthly rental per lease agreement with FNB. The correct signed lease agreement was not in place when financials were done during the 2017/18 financial year.

##### Actuarial gains

Actuarial gains for the the year were incorrectly accounted for in the year 2017/18 . This resulted in the Income statement showing an actuarial loss of R46 801 instead of an actuarial gain of R484 944 which represents an understatement of the gains by R531 745. At the same time the long service awards were also understated by the same amount. These have now been corrected.

##### Litigation Expenses

The municipality was charged R15.1 million by the Special Investigation unit for the investigations done last year, initially the municipality had disputed the charge but after consultations the municipality has opted to acknowledge the debt whilst seeking measures to settle as there is no funding available to settle the debt.

##### Repairs and maintenance

A search for unrecorded liabilities for the six month from July 2018 to December 2018 was done to ensure that all prior year expenses were fully and correctly accounted for. The search picked a number of unrecorded liabilities which needed to be adjusted for. Of these expenses R2.4 million pertained to repairs and maintenance expenses. An adjustment for these was duly done.

##### General expenses

Search for unrecorded liabilities revealed that general expenses totaling to R 3.6 million had been left out of June 2018 accruals.

Of these, R3.3 million relates to consulting services for VAT recovery and preparation of AFS. A review of the accruals for the year ended 30 June 2018 also revealed that some amounts were incorrectly accrued for. These amounts were thus reversed in 2018 and one such adjustment was done on electricity amounting to R638 970

##### Bulk purchases

Some Invoices for water purchases had been omitted from the accruals for the year. These were picked by the search for unrecorded liabilities. These total R 7441 and the bulk expenses were duly adjusted.

##### Actuarial gains

The accounting treatment for actuarial gains and losses was not done correctly during the 2017/18 financial year. This resulted in the actuarial gains being understated by R531 745 while the long service awards were understated by the same amount.

##### Employee related costs

Long service awards costs were incorrectly accounted for during the year as a result of incorrect treatment of actuarial gains. The error was corrected resulting in the employee related costs going up R531 744 . Leave pay provision was also adjusted by R540 640 resulting in an overall adjustment of R1 072 385 on employee costs.

#### Statement of Financial Position

##### Cash and Cash equivalents

A payment to a supplier amounting to R1 594 456 had been captured in the cashbook at 30 June 2018 despite the transaction having been cancelled. The correction of this resulted in the cash and cash equivalents balance at 30 June 2019 going up by R1 594 456.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

#### 44. Prior period errors (continued)

##### Operating lease asset

A newly signed lease agreement between the Municipality as the lessor and FNB bank as the lessee was not availed at the point annual financial statements were done at 30 June 2018. As a result there was no equalisation done despite the fact that the lease had an escalation. The correction of this resulted in the raising of a lease asset at 30 June 2018 of R4 117.

##### Inventory

Inventory adjustment journal for the year was incorrectly done resulting in the general ledger balance not agreeing with the valuation by R25 299.

##### VAT Receivable

Owing to the recording of the previously unrecorded liabilities, VAT receivable was adjusted upwards by R1 230 976. However, the reversal of invalid accruals for the the prior year resulted in a downwards adjustment of R2 493 700. The net effect was a downward adjustment of VAT by R4 075 960

##### Property, plant & Equipment

A review of the retention's register revealed that retentions totaling R6 536 998.60 had been released but had been incorrectly posted to the work in progress vote. A correction of this resulted in PPE being reduced by the same amount. At the same time a review of the accruals listing revealed that items totaling R3 210 750 had been accrued for despite having been already paid. This resulted in a downward adjustment of PPE by the same amount. However, search for unrecorded liabilities revealed that transactions totaling R568 560 had not been accounted for thus PPE was adjusted upwards by the same amount. The net effect of all this came to a downward adjustment of R9 144 963.00

##### Intangible assets

An adjustment was made to account for the write off of the balance of the previous accounting system used by the municipality (Samras). The total adjustment came to R20 000

##### Payables from exchange transactions

##### Accruals

The search for unrecorded liabilities done for the six months from June to December 2018 resulted in transactions amounting to R26 170 921.95 being picked. The biggest adjustment was for the Special Investigating Unit invoice for R15 million. However, accruals previously raised amounting to R12 393 787.64 had to be reversed after it was discovered they were not fairly stated. At the same time, it was also discovered that retentions amounting to R7 452 178 had been released but were erroneously posted to PPE. The net effect of these adjustments on payables came to an upward movement of payables of R7 316 931.

##### Irregular Expenditure

The municipality made adjustments to prior year audited irregular expenditure owing to discovery of some mistatements on the irregular expenditure register. The adjustments are summarised as below.



# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>44. Prior period errors (continued)</b>				
<b>Irregular expenditure</b>				
Balance as previously reported	-	-	-	1,099,563,249
Adjustments	-	-	-	79,387,159
Restated balance	-	-	-	1,178,950,408
<b>Details of the adjustments</b>				
Kwane Capital- Written off amount overstated	-	-	-	929,873
MBS- Written off amount overstated	-	-	-	930,613
Xesibe- Written off amount overstated	-	-	-	30,112,868
Khwalos- Written off amount understated	-	-	-	(2,384,148)
Esigodini- Write off not effected on the register	-	-	-	(3,154,432)
Esigodini- Expenditure understated	-	-	-	8,534,361
Sisonke- Writte off not effected on the register	-	-	-	(503,532)
Deedscon- Written off amount overstated on the register	-	-	-	(1,458,801)
Egxeni- Overstatement of amount written off	-	-	-	12,377,887
CO Valves- Overstatement of amount written off	-	-	-	991,954
Flat Foot Air Conditioners- Overstatement of amount written off	-	-	-	728,391
Lihle Nathi/ Base Major JV- Overstatement of amount written off	-	-	-	32,301,692
ML/ Phumi Construction- Overstatement of amounts written off	-	-	-	40,488,328
Bright Idea- Understatement of amount written off	-	-	-	(15,514,762)
Lihle Nathi- Understatement of amount written off	-	-	-	(27,440,425)
Mathew- Overstatement of amount written off	-	-	-	2,447,292
	-	-	-	<b>79,387,159</b>

### Cash flow statement

Prior period adjustments done on the statement of Financial Position and Statement of Financial Performance resulted in the subsequent adjustment to the cash flow as summarised below

#### Cash flow from operating activities

Other receipts	-	-	-	4,117
Employee costs	-	-	-	(531,735)
Suppliers	-	-	-	(14,844,180)
	-	-	-	<b>(15,371,798)</b>

#### Cash flow from investing activities

Purchase of Property, Plant and Equipment	-	-	-	(16,966,254)
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### 45. Risk management

#### Financial risk management

##### Liquidity risk

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

#### Economic entity

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>46. Unauthorised expenditure</b>				
Opening balance as previously reported	346,948,870	339,988,434	346,948,870	339,988,434
<b>Opening balance as restated</b>	<b>346,948,870</b>	<b>339,988,434</b>	<b>346,948,870</b>	<b>339,988,434</b>
Add unauthorised expenditure current year	1,422,185	6,960,436	-	6,960,436
Less: Amount written off - current	(346,948,870)	-	(346,948,870)	-
<b>Closing balance</b>	<b>1,422,185</b>	<b>346,948,870</b>	<b>-</b>	<b>346,948,870</b>
<b>47. Fruitless and wasteful expenditure</b>				
Opening balance as previously reported	18,286,547	18,286,547	18,286,547	18,286,547
Correction of prior period error	(459,839)	-	(459,839)	-
<b>Opening balance as restated</b>	<b>17,826,708</b>	<b>18,286,547</b>	<b>17,826,708</b>	<b>18,286,547</b>
Less: Amounts recoverable - current	-	-	13,400	-
<b>Closing balance</b>	<b>17,826,708</b>	<b>18,286,547</b>	<b>17,840,108</b>	<b>18,286,547</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>47. Fruitless and wasteful expenditure (continued)</b>				
<b>Expenditure identified in the current year include those listed below:</b>				
Interest Paid to Eskom	-	-	5,220	40,670
Interest paid to Telkom	-	-	-	2,420
SARS	-	-	-	391,769
MCPF	-	-	328	-
Late Payment	-	-	57	-
MWRF	-	-	2,150	-
Natal Joint Super	-	-	277	-
Salaries Pension	-	-	2,450	-
Zilane Attorney	-	-	-	65,942
Auditor General	-	-	-	3,722
Mbizana local Municipality	-	-	21	-
National Health Laboratory	-	-	910	-
SARS	-	-	1,987	-
	-	-	<b>13,400</b>	<b>504,523</b>

### 48. Irregular expenditure

Opening balance as previously reported	1,124,409,714	1,030,824,109	1,099,563,249	1,013,592,420
Correction of prior period error	79,387,159	-	79,387,159	-
<b>Opening balance as restated</b>	<b>1,203,796,873</b>	<b>1,030,824,109</b>	<b>1,178,950,408</b>	<b>1,013,592,420</b>
Add: Irregular Expenditure - prior period	143,224,059	-	143,224,059	-
Irregular expenditure- current year	5,538,707	209,502,720	1,510,447	201,887,944
Less: Amount written off - prior period	(962,687,803)	(115,917,115)	(962,687,803)	(115,917,115)
<b>Closing balance</b>	<b>389,871,836</b>	<b>1,124,409,714</b>	<b>360,997,111</b>	<b>1,099,563,249</b>

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018
<b>48. Irregular expenditure (continued)</b>				
<b>Incidents/cases identified in the current year include those listed below:</b>				
BEC Minutes signed by 2 people instead of 3	-	-	4,857,400	-
Advertised for fewer days than required	-	-	3,948,465	-
BAC Not properly constituted	-	-	17,898,465	-
SCM procedures not followed	-	-	70,067,450	-
Provision for section 32 not followed	-	-	7,555,971	-
Declaration of interest not signed	-	-	36,931,464	-
Tender not advertised	-	-	2,972,711	-
Three written quotations not invited	-	-	502,545	-
SCM policy	-	-	25,773	-
Competitive bidding	-	-	3,845,354	-
Overpayments	-	-	157,133	-
	-	-	<b>148,762,731</b>	-

## 49. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to organised local government

Opening balance	2,721,491	2,626,051	2,721,491	2,626,051
Current year subscription / fee	(2,721,491)	(2,626,051)	(2,721,491)	(2,626,051)
	-	-	-	-

### Material losses through criminal conduct

During the year, the municipality discovered fraud at two stations namely Mbizana and Matatiele. The cashiers were using their own receipts books when recording sundry receipts. The exact quantum of the loss suffered is still to be ascertained.

# ALFRED NZO DISTRICT MUNICIPALITY

Consolidated Annual Financial Statements for the year ended 30 June 2019

## Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2019	2018	2019	2018

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

#### Audit fees

Opening balance	84,326	1,936,031	84,326	1,936,031
Current year subscription / fee	6,521,719	6,873,626	6,521,719	6,873,626
Amount paid - current year	(6,521,719)	(8,725,331)	(6,521,719)	(8,725,331)
	<b>84,326</b>	<b>84,326</b>	<b>84,326</b>	<b>84,326</b>

#### PAYE and UIF

Current year subscription / fee	41,356,838	19,303,527	38,997,939	19,303,527
Amount paid - current year	(41,202,553)	(19,303,527)	(38,997,938)	(19,303,527)
	<b>154,285</b>	<b>-</b>	<b>1</b>	<b>-</b>

#### Pension and Medical Aid Deductions

Current year subscription / fee	25,464,111	16,425,771	25,464,111	16,425,771
Amount paid - current year	(25,464,111)	(16,425,771)	(25,464,111)	(16,425,771)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### VAT

VAT receivable	21,491,583	26,229,862	21,260,213	26,646,682
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VAT output payables and VAT input receivables are shown in note .

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