Steve Tshwete Local Municipality
Annual Financial Statements
for the years ended 30 June 2020

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	MP313
Grading of local authority	Grade 4
Capacity of local authority	High capacity
Nature of business and principal activities	The main business operations of the municipality is to engage in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: General services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste management services - The collection, disposal and recycling of waste. Electricity services - Electricity is bought in bulk from Eskom and distributed to the consumers by the municipality. Waste water management - Collection and purification of waste water. Water services - Supply and purifying of water.
Domicile	South Africa
Executive Mayor	Cllr BJ Tolo
Speaker	Cllr AM Mabena
Councill Whip	Cllr SD Nkadimeng
Mayoral Committee	Cllr MI Kgalema Cllr DJ Motsepe Cllr SM Malepeng Cllr MTE Mnguni Cllr J Matshiane Cllr NC Mkhuma
MPAC Chairman	Cllr RM Xaba
Councillors	Cllr LK Mahlangu Cllr RG Mamogale Cllr AB Marumo Cllr PM Masilela Cllr M Masina Cllr PV Malinga Cllr TP Mnisi Cllr TS Motloung Cllr ET Motsepe Cllr MC Mphego Cllr MJ Sekgwele Cllr DJ Skhosana
Councillors continue	Cllr J Skosana Cllr AM Mahlangu

General Information

	Cllr MN Mathibela Cllr JM Mitchell Cllr TN Morufane Cllr TP Motau Cllr DL Paul Cllr MM Skhosana Cllr R Vilakazi Cllr LJN Zondo Cllr EM Bruiners Cllr E Du Toit Cllr J Dyason Cllr AS Grobler Cllr P Mobango Cllr SM Mogola Cllr HF Niemann Cllr KJ Phasha Cllr JP Pretorius Cllr GHE Romijn Cllr SJ Roos Cllr AO Thabatha Cllr HG De Klerk Cllr A Struwig Cllr DA Stuurman Cllr DD Klopper Cllr SM Wait Cllr JP Duvenage Cllr KPJ Uys Cllr P Mailola Cllr A Mangcotywa Cllr M Hadebe Cllr LC Masemola Cllr CM Mosoma Cllr JN Mthombeni Cllr E Sebesho
Chief Finance Officer (CFO)	M.D Mogofe
Accounting Officer	B.M Khenisa
Registered office	Civic Centre Wanderers Avenue Middelburg 1050
Postal address	P.O. Box 14 Middelburg 1050
Bankers	ABSA Bank Nelspruit
Auditors	Auditor-General of South Africa

General Information

Attorneys	Van Deventer & Campher Inc Maphanga & Essa Incorporated Nkgadima Attorneys Morudu Attorneys SM Sibeko Attorneys

All figures are rounded off to the nerest Rand (R)

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

COIDA	Compensation for Occupational Injuries and Diseases Act
CIGFARO	Chartered Institute of Governance, Finance, Audit and Risk Officers
DBSA	Development Bank of South Africa
HDF	Housing Development Fund
GRAP	Generally Recognised Accounting Practice
mSCOA	Municipal Standard Chart of Accounts
HDF	Housing Development Fund
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
SALGA	South African Local Government Association

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The Accounting Officer has reviewed the municipality’s cash flow forecast for the years 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 financially sustainable to run its day to day operations mainly from the revenue generated from its traiding services. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Treasuries has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The external auditors are responsible for auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 8.

I certify that salaries, allowances and benefits of councillors as disclosed in note 33 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.

The annual financial statements set out on pages 8 to 100, which have been prepared on the going concern basis, were approved by the accounting officer on 30 June 2020 and were signed on:

B.M Khenisa
Accounting Officer

Middelburg

31 October 2020

Audit Committee Report

We are pleased to present our report for the financial years ended 30 June 2020.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 5 times per annum as per its approved terms of reference. During the current reporting period 12 meetings were held.

Name of Member	Number of Ordinary meeting attended	Number of Special meeting attended	Total Meetings held	Number attended	Number not attended
Ms. F Mudau (Chairperson)	4	8	12	12	-
Mr. L Langalibalele	4	6	12	10	2
Ms. JS Masite	3	6	12	9	3
Mr. MG Mathabathe	2	6	12	8	4
Mr. T Gafane (appointed on the 1 November 2019)	1	1	7	2	5
Boltman T (Chairperson of Risk Management, Anti-Fraud and Corruption Committee)	4	4	12	8	4
	18	**31**	**67**	**49**	**18**

Audit committee responsibility

The Audit and Performance Committee has adhered to its mandate as mentioned in Section 166(2)(a) of the Municipal Finance Management Act and furthermore discharged its oversight responsibilities in the year under review herein:

- Reviewed the Risk Management Policies, Frameworks and procedures that identified, monitors and manages risks.
- Played a pivotal advisory role in;
  Financial management and other reporting practices.
  Internal controls and management of risks
  Compliance with laws, regulations and ethics
  Corporate Governance practices
  Performance Management Information
- Reported to the Management and/or Council any matter identified during the course of carrying out its duties that it considers significant.
- Approved Internal Audit strategic and operational plans and reviewed performance against them;
- Reviewed and recommend the Internal Audit Charter for Council approval;
- Engaged with Internal Audit its findings and the responses of management to its significant recommendations and periodically its views on the quality of control, governance and risk management processes;
- Represented the matters of Internal and External Audit to the Executive Authority of the Municipality in terms of the Municipal Finance Management Act;
- Reviewed the annual report before its release and considered whether the financial information is appropriate, reasonable, accurate, adequate and consistent with prescribed regulations of the municipality and its operations.
- Reported annually in the required format as part of annual report of the Municipality.
- Reviewed professional and regulatory pronouncements to understand their impact on financial and non-financial statements.
- Reviewed the quarterly manag0ement reports and
- Considered the appropriateness of the Municipality’s accounting policies and principles and in doing so reviewed the application and currency, and adherence to the stated financial reporting framework.
- Gain an understanding on the areas of major risks including related risks and determine management’s capacity to manage them effectively.

The effectiveness of internal control

The effectiveness of internal controls has been assessed to be have demonstrated reasonable level of assurance on the effective and efficient of controls, risk management and governance processes.

Audit Committee Report

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the external audit.

Internal audit responsibility

Internal Audit complied with its mandate in line with Section 165 of Municipal Finance Management Act and discharged its responsibilities herein:

- Reviewed the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information.
- Reviewed the system established to ensure compliance with policies, plans, procedures, laws and regulations that could have a significant impact operation.
- Reviewed the means of safeguarding assets and as appropriate, verifying the existence of such assets in order to provide management with reasonable assurance that assets are protected against loss that could results from fire, theft other improper or illegal activities or exposure to the elements.
- Reviewed and appraised the economy and efficiency with which resources are employed with a context to evaluates operating standards are understood and are being met and deviations from operating standard are identified, analyzed and communicated to management responsible for corrective action and effective corrective action has been taken.
- Reviewed operations to ascertain results are consistent with established objectives and goals, and the operations or programs are being carried out as planned.
- Providing consultation and other services to management as need be to make decision about control, governance and risk management.

Risk management

The Municipality established a Risk Management, Anti-Fraud and Anti-Corruption Committee (RMAFACC) chaired by an independent Chairperson and met at least 4 times during the financial year. The RMAFACC considered and recommended risk management policies to Council for approval and provided Audit Committee and Council with quarterly reports regarding the mitigating of risks.
Based on the reports of the RMAFACC, the Municipality implemented the risk mitigating activities planned to reduce the risk exposure which contributed to the achievement of the municipality's objectives as set out in the SDBIP.

Auditor-General of South Africa

The audit committee has provided oversight on the implementation of recommendations the Auditor-General of South Africa and are satisfied with the process management took to ensure matters raised are adequately resolved.

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Chairperson of the Audit Committee

Date: ______________________

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	60,509,048	50,174,601
Operating lease asset	5	3,493,101	2,855,352
Other receivables from exchange transactions	6	50,239,813	31,058,222
Receivables from non-exchange transactions	7	36,908,593	36,069,855
VAT receivable	9	88,080,140	70,750,692
Receivables from exchange transactions	8	89,217,487	29,846,788
Investments	10	250,000,000	450,000,000
Deposits	11	2,396,114	2,297,982
Cash and cash equivalents	12	320,485,326	241,747,407
		901,329,622	**914,800,899**
Non-Current Assets			
Investment property	13	25,417,439	25,417,439
Property, plant and equipment	14	6,711,390,054	6,511,903,599
Intangible assets	15	9,621,613	9,906,188
Long term receivables	4	5,240,108	2,588,026
		6,751,669,214	**6,549,815,252**
Total Assets		**7,652,998,836**	**7,464,616,151**
Liabilities			
Current Liabilities			
Long term liabilities	16	28,553,623	18,514,285
Finance lease obligation	17	4,153,687	5,387,648
Payables from exchange transactions	18	283,324,502	252,408,307
Payables from non-exchange transactions	19	671,374	3,347,093
Consumer deposits	20	75,333,865	73,081,386
Employee benefit obligation	21	3,582,000	3,417,085
Provisions	23	1,615,821	1,812,769
Long service awards	24	1,971,006	2,498,263
		399,205,878	**360,466,836**
Non-Current Liabilities			
Long term liabilities	16	468,166,805	302,656,430
Finance lease obligation	17	3,753,703	6,605,737
Employee benefit obligation	21	98,020,001	97,119,362
Provisions	23	22,211,202	25,001,045
Long service awards	24	23,796,994	21,728,025
		615,948,705	**453,110,599**
Total Liabilities		**1,015,154,583**	**813,577,435**
Net Assets		**6,637,844,253**	**6,651,038,716**
Accumulated surplus		6,637,844,253	6,651,038,716

* See Note 47

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	25	933,361,539	821,142,434
Sales of goods and rendering of services		9,593,919	7,987,728
Rental of facilities and equipment		17,754,826	17,106,484
Interest received - trading		3,197,403	2,505,559
Income from agency services	26	25,791,907	26,090,102
Licences and permits		5,512,877	8,537,163
Operating income	27	44,394,042	41,100,744
Investment revenue	28	43,461,474	51,871,021
Total revenue from exchange transactions		**1,083,067,987**	**976,341,235**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	29	401,926,718	366,986,471
Interest received - trading		3,033,633	2,351,151
Transfer revenue			
Transfers and subsidies	30	297,660,356	264,615,609
Public contributions and donations	31	9,918,314	20,664,251
Fines, penalties and forfeits	57	17,820,260	16,819,049
Total revenue from non-exchange transactions		**730,359,281**	**671,436,531**
Total revenue	56	**1,813,427,268**	**1,647,777,766**
Expenditure			
Employee related costs	32	(584,092,584)	(535,930,078)
Remuneration of councillors	33	(23,562,355)	(22,748,099)
Depreciation and amortisation	34	(207,945,237)	(190,257,566)
Impairment of assets	35	(95,792,820)	(104,319,729)
Finance costs	36	(35,485,064)	(21,572,636)
Rentals	58	(393,897)	(644,038)
Bad debts written off		(11,501,799)	(8,352,210)
Bulk purchases	37	(505,150,089)	(455,592,519)
Contracted services	38	(207,621,885)	(184,783,084)
Transfers and subsidies paid	39	(1,739,025)	(1,927,847)
Loss on disposal of assets and liabilities		-	(4,716,469)
Inventory consumed		(69,004,164)	(47,066,564)
Inventories losses/write-downs		(44,428)	(954,490)
Operational costs	40	(84,288,384)	(91,045,595)
Total expenditure		**(1,826,621,731)**	**(1,669,910,924)**
Deficit for the years		**(13,194,463)**	**(22,133,158)**

* See Note 47

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	6,763,981,526	6,763,981,526
Adjustments		
Correction of errors	(90,809,652)	(90,809,652)
Balance at 1 July 2018 as restated*	**6,673,171,874**	**6,673,171,874**
Changes in net assets		
Surplus for the years	(22,133,158)	(22,133,158)
Total changes	(22,133,158)	(22,133,158)
Opening balance as previously reported	6,790,726,861	6,790,726,861
Adjustments		
Correction of errors	(139,688,145)	(139,688,145)
Restated* Balance at 1 July 2019 as restated*	**6,651,038,716**	**6,651,038,716**
Changes in net assets		
Surplus for the years	(13,194,463)	(13,194,463)
Total changes	(13,194,463)	(13,194,463)
Balance at 30 June 2020	**6,637,844,253**	**6,637,844,253**

Note(s)

* See Note 47

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,308,291,668	1,231,995,648
Grants		297,660,356	283,286,653
Interest income		49,692,489	51,871,021
		1,655,644,513	1,567,153,322
Payments			
Employee costs		(590,536,953)	(541,518,104)
Suppliers		(864,938,712)	(748,660,316)
Finance costs		(31,558,636)	(17,132,253)
Grants paid		(1,739,025)	(1,927,852)
		(1,488,773,326)	(1,309,238,525)
Net cash flows from operating activities	42	**166,871,187**	**257,914,797**
Cash flows from investing activities			
Purchase of property, plant and equipment	14	(456,179,872)	(374,360,420)
Proceeds / (loss) from sale of property, plant and equipment	14	-	3,921,166
Purchase of other intangible assets	15	(765,032)	(2,372,999)
Movement in long term receivable	15	(2,652,082)	-
Proceeds from investments		200,000,000	147,711,000
Net cash flows from investing activities		**(259,596,986)**	**(225,101,253)**
Cash flows from financing activities			
Raisng of long term liabilities		-	138,136,362
Proceeds from long term loans		175,549,713	-
Finance lease payments		(4,085,995)	(2,380,429)
Net cash flows from financing activities		**171,463,718**	**135,755,933**
Net increase/(decrease) in cash and cash equivalents		**78,737,919**	**168,569,477**
Cash and cash equivalents at the beginning of the year		241,747,407	73,177,930
Cash and cash equivalents at the end of the year	12	**320,485,326**	**241,747,407**

* See Note 47

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	904,137,790	7,111,681	**911,249,471**	933,361,539	**22,112,068**	Data cleansing exercise resulted with additional revenue realised.
Sale of goods and rendering of services	9,199,439	497,844	**9,697,283**	9,593,919	**(103,364)**	
Rental of facilities and equipment	16,858,194	854,200	**17,712,394**	17,754,826	**42,432**	
Interest received - trading	2,498,260	624,484	**3,122,744**	3,197,403	**74,659**	
Income from agency services	22,375,150	-	**22,375,150**	25,791,907	**3,416,757**	The commission received by the municipality from Mpumalanga Provincial government for the collection of licence fees was more than what was budgeted for.
Licences and permits	9,449,010	-	**9,449,010**	5,512,877	**(3,936,133)**	Less revenue realised than was initially budgeted for.
Operating income	20,593,603	(3,035,931)	**17,557,672**	34,454,927	**16,897,255**	Due to sale of erven in various areas within the municipality, more revenue was received that what was budgeted for.
Investment revenue	37,421,912	4,929,102	**42,351,014**	43,461,474	**1,110,460**	More interest received on surplus funds invested than was budgeted for.
Total revenue from exchange transactions	**1,022,533,358**	**10,981,380**	**1,033,514,738**	**1,073,128,872**	**39,614,134**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	390,288,137	5,219,707	**395,507,844**	401,926,717	**6,418,873**	Data cleansing exercise resulted with additional revenue realised.
Interest received - trading	2,171,370	883,416	**3,054,786**	3,033,633	**(21,153)**	
Transfer revenue						
Transfers and subsidies	295,040,638	(675,644)	**294,364,994**	297,660,356	**3,295,362**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Public contributions and donations	-	-	**-**	9,918,314	**9,918,314**	The municipality received assets donated that was not anticipated during the budget process.
Fines, penalties and forfeits	17,503,428	-	**17,503,428**	17,820,260	**316,832**	
Total revenue from non-exchange transactions	**705,003,573**	**5,427,479**	**710,431,052**	**730,359,280**	**19,928,228**	
Total revenue	**1,727,536,931**	**16,408,859**	**1,743,945,790**	**1,803,488,152**	**59,542,362**	
Expenditure						
Employee related costs	(597,648,259)	(1,895,378)	**(599,543,637)**	(584,092,584)	**15,451,053**	
Remuneration of councillors	(24,211,293)	(489,000)	**(24,700,293)**	(23,562,355)	**1,137,938**	
Impairment of assets	(21,121,150)	(8,144,000)	**(29,265,150)**	(85,853,705)	**(56,588,555)**	Data cleansing exercised resulted in billing corrections and receivables that were subsequently impaired.
Depreciation and amortisation	(171,562,486)	(41,175,554)	**(212,738,040)**	(207,945,237)	**4,792,803**	
Rentals	(4,150,022)	688,425	**(3,461,597)**	(393,897)	**3,067,700**	The actual lease payments made has been recognised as finance lease.
Finance costs	(32,560,665)	(4,567,298)	**(37,127,963)**	(35,485,064)	**1,642,899**	
Bulk purchases	(523,648,552)	27,942,000	**(495,706,552)**	(505,150,089)	**(9,443,537)**	Due to late submission of invoices by Eskom.
Transfers and subsidies paid	(2,030,000)	100,000	**(1,930,000)**	(1,739,025)	**190,975**	
Operational costs	(144,406,544)	(20,125,388)	**(164,531,932)**	(84,288,384)	**80,243,548**	Various expenditures did not realized as plan such as the mSCOA system,Licencing sofware and the Kraanspoort contract.
Contracted services	(200,292,807)	(25,968,235)	**(226,261,042)**	(208,190,361)	**18,070,681**	Various contractor services such as consulting fees, repair and maintenance contract did not realized as planned
Inventory consumed	-	-	**-**	(69,004,164)	**(69,004,164)**	
Inventory losses/writte-downs	-	-	**-**	(44,428)	**(44,428)**	
Bad debts written off	-	-	**-**	(11,501,799)	**(11,501,799)**	Due to the writte-off of traffic fines that were already declared uncollectible.
Total expenditure	**(1,721,631,778)**	**(73,634,428)**	**l,795,266,206)**	**l,817,251,092)**	**(21,984,886)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Deficit before taxation	**5,905,153**	**(57,225,569)**	**(51,320,416)**	**(13,762,940)**	**37,557,476**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**5,905,153**	**(57,225,569)**	**(51,320,416)**	**(13,762,940)**	**37,557,476**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	173,400,000	(119,999,651)	**53,400,349**	60,509,048	**7,108,699**	
Operating lease assets	-	-	**-**	3,493,101	**3,493,101**	
Receivables from non-exchange transactions	-	-	**-**	36,908,593	**36,908,593**	
Other receivables from exchange transactions	43,630,542	33,250,413	**76,880,955**	50,239,813	**(26,641,142)**	
VAT receivable	-	-	**-**	88,080,140	**88,080,140**	
Receivables from exchange transactions	68,663,127	(8,256,883)	**60,406,244**	89,217,487	**28,811,243**	
Investments	383,711,000	66,289,000	**450,000,000**	250,000,000	**(200,000,000)**	
Deposits	-	-	**-**	2,396,114	**2,396,114**	
Cash and cash equivalents	83,898,805	18,081,997	**101,980,802**	320,485,326	**218,504,524**	
	753,303,474	**(10,635,124)**	**742,668,350**	**901,329,622**	**158,661,272**	
Non-Current Assets						
Investment property	25,895,021	28,675	**25,923,696**	25,417,439	**(506,257)**	
Property, plant and equipment	6,861,070,941	40,752,263	**6,901,823,204**	6,711,390,054	**(190,433,150)**	
Intangible assets	17,988,525	(3,962,738)	**14,025,787**	9,053,137	**(4,972,650)**	
Long term receivables	-	-	**-**	5,240,108	**5,240,108**	
	6,904,954,487	**36,818,200**	**6,941,772,687**	**6,751,100,738**	**(190,671,949)**	
Total Assets	**7,658,257,961**	**26,183,076**	**7,684,441,037**	**7,652,430,360**	**(32,010,677)**	
Liabilities						
Current Liabilities						
Current portion of long term liabilities	18,179,600	334,689	**18,514,289**	28,553,623	**10,039,334**	
Finance lease obligation	-	-	**-**	4,153,687	**4,153,687**	
Payables from exchange transactions	135,258,071	(773,690)	**134,484,381**	283,324,502	**148,840,121**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Payables from non-exchange transactions	-	-	**-**	671,374	**671,374**	
Employee benefit obligation	-	-	**-**	3,582,000	**3,582,000**	
Provisions	13,738,888	205	**13,739,093**	1,615,821	**(12,123,272)**	
Consumer deposits	104,447,169	(23,690,782)	**80,756,387**	75,333,865	**(5,422,522)**	
Long service awards	-	-	**-**	1,971,006	**1,971,006**	
	271,623,728	**(24,129,578)**	**247,494,150**	**399,205,878**	**151,711,728**	
Non-Current Liabilities						
Long term liabilities	459,543,784	43,398,513	**502,942,297**	468,166,805	**(34,775,492)**	
Finance lease obligation	-	-	**-**	3,753,703	**3,753,703**	
Employee benefit obligation	-	-	**-**	98,020,001	**98,020,001**	
Provisions	162,546,798	(18,777,314)	**143,769,484**	22,211,202	**(121,558,282)**	
Long service awards	-	-	**-**	23,796,994	**23,796,994**	
	622,090,582	**24,621,199**	**646,711,781**	**615,948,705**	**(30,763,076)**	
Total Liabilities	**893,714,310**	**491,621**	**894,205,931**	**1,015,154,583**	**120,948,652**	
Net Assets	**6,764,543,651**	**25,691,455**	**6,790,235,106**	**6,637,275,777**	**(152,959,329)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	6,764,543,651	25,691,455	**6,790,235,106**	6,637,275,777	**(152,959,329)**	

The accounting policies on pages 19 to 45 and the notes on pages 46 to 100 form an integral part of the annual financial statements.

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	390,288,137	5,219,707	395,507,844	-		395,507,844	401,926,718		6,418,874	102 %	103 %
Service charges	904,137,790	7,111,681	911,249,471	-		911,249,471	933,361,539		22,112,068	102 %	103 %
Investment revenue	37,421,912	4,929,102	42,351,014	-		42,351,014	43,461,474		1,110,460	103 %	116 %
Transfers recognised - operational	209,093,000	(675,366)	208,417,634	-		208,417,634	211,932,996		3,515,362	102 %	101 %
Other own revenue	100,649,086	(176,255)	100,472,831	-		100,472,831	127,466,313		26,993,482	127 %	127 %
Total revenue (excluding capital transfers and contributions)	**1,641,589,925**	**16,408,869**	**1,657,998,794**	**-**		**1,657,998,794**	**1,718,149,040**		**60,150,246**	**104 %**	**105 %**
Employee costs	(597,648,259)	(1,895,378)	(599,543,637)	-	-	(599,543,637)	(584,092,584)	-	15,451,053	97 %	98 %
Remuneration of councillors	(24,211,293)	(489,000)	(24,700,293)	-	-	(24,700,293)	(23,562,355)	-	1,137,938	95 %	97 %
Debt impairment	(21,121,150)	(8,144,000)	(29,265,150)			(29,265,150)	-	-	29,265,150	- %	- %
Depreciation and asset impairment	(171,562,486)	(41,175,554)	(212,738,040)			(212,738,040)	(303,738,057)	-	(91,000,017)	143 %	177 %
Finance costs	(32,560,665)	(4,567,298)	(37,127,963)	-	-	(37,127,963)	(35,485,064)	-	1,642,899	96 %	109 %
Bulk purchases	(523,648,552)	27,942,000	(495,706,552)	-	-	(495,706,552)	(505,150,089)	-	(9,443,537)	102 %	96 %
Transfers and subsidies paid	(2,030,000)	100,000	(1,930,000)	-	-	(1,930,000)	(1,739,025)	-	190,975	90 %	86 %
Other expenditure	(348,849,373)	(45,405,198)	(394,254,571)	-	-	(394,254,571)	(373,222,003)	-	21,032,568	95 %	107 %
Total expenditure	**(1,721,631,778)**	**(73,634,428)**	**(1,795,266,206)**	**-**	**-**	**(1,795,266,206)**	**(1,826,989,177)**	**-**	**(31,722,971)**	**102 %**	**106 %**
Surplus/(Deficit)	**(80,041,853)**	**(57,225,559)**	**(137,267,412)**	**-**		**(137,267,412)**	**(108,840,137)**		**28,427,275**	**79 %**	**136 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	85,947,000	-	85,947,000	-		85,947,000	85,727,360		(219,640)	100 %	100 %
Contributions recognised - capital and contributed assets	11,800,000	(11,800,000)	-	-		-	9,918,314		9,918,314	DIV/0 %	84 %
Surplus (Deficit) after capital transfers and contributions	**17,705,147**	**(69,025,559)**	**(51,320,412)**	**-**		**(51,320,412)**	**(13,194,463)**		**38,125,949**	**26 %**	**(75)%**
Surplus/(Deficit) for the year	**17,705,147**	**(69,025,559)**	**(51,320,412)**	**-**		**(51,320,412)**	**(13,194,463)**		**38,125,949**	**26 %**	**(75)%**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	385,069,378	(8,140,554)	376,928,824	-		376,928,824	333,428,626		(43,500,198)	88 %	87 %

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Allowance for slow moving, damaged and obsolete inventory

An assessment is made of net realisable value at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the surplus or deficit.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the key assumptions such as the discount rate, condition of the asset, estimated future cash inflow, outflow, the term for discounting may change which may then impact our estimations and may then require a material adjustment to the carrying value of intangible assets.

Value in use of cash generating assets

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

Value in use of non-cash generating assets

The municipality reviews and tests the carrying value of non-cash generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 23 - Provisions.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate is based on industry norms and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits and other long-term benefits

The present value of the post retirement and long-term benefit obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement and long-term benefit obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long-term benefit obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in South African rands, and that have terms to maturity approximating the terms of the related pension or other long-term liability. Where there is no market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in note 21.

Effective interest rate

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for impairment of financial assets

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

1.3 Investment property

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

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

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

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

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

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	indefinite

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

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

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

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:
- primary use of the property;
- partial own use, percentage used for own use compared to percentage used to earn rentals and/or capital appreciation; and
- ancillary services, significance of services provided.

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment are 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 part 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 municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

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

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

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value. The depreciation charge for each period is recognised in surplus or deficit.

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

Item	Depreciation method	Average useful life
Buildings	Straight line	30 - 100 years
Community assets	Straight line	2 - 300 years
Infrastructure assets	Straight line	10 - 300 years
Housing - properties purchased from previous housing development	Straight line	30 - 100 years
Land	Straight line	Indefinite
Landfill site	Straight line	10-300 years
Other property, plant and equipment	Straight line	2 - 30 years

1.4 Property, plant and equipment (continued)

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

Assets of the 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.

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).

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Site restoration and dismantling cost

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

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

1.6 Intangible assets

An asset is identifiable if it either:
- is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the municipality 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.

Intangible assets are initially measured at cost.

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

1.6 Intangible assets (continued)

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

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

Subsequent to initial measurement, 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 to their residual values. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of items of intangible assets have been assessed as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	1 - 15 years

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

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

1.7 Impairment of cash-generating assets

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

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.

1.7 Impairment of cash-generating assets (continued)

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

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

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

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

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:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the annual financial statements to distinguish cash-generating assets from non-cash-generating assets are as follow:
- consideration of the manner in which assets are managed to determine whether their asset managment practices are consistent with those in the profit-driven private sector;
- intention in to gerenerate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective

Identification

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

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

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

Value in use

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

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

Redesignation

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

1.8 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

Criteria developed by the annual financial statements to distinguish non-cash-generating assets from cash-generating assets are as follow:
- consideration of the mannder in which assets are managed to determine whether their asset management practices are consistent with those in the profit-driven private sector;
- intention is to generate positive cash inflows from that asset and earn a return that reflects the risk involved in holding such an asset; and
- service delivery objective.

Identification

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.9 Financial instruments

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

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 muncipality on terms that are not market related.

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

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

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

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 muncipality 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 muncipality 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.

1.9 Financial instruments (continued)

A financial asset is:

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

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

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

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 muncipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

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

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

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

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

- 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.

1.9 Financial instruments (continued)

Classification

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

Class	Category
Long term receivables	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables from exchange transactions	Financial asset measured at amortised cost
Deposits	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long term liabilities	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Initial recognition

The muncipality 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 muncipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The muncipality 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.

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.9 Financial instruments (continued)

Derecognition

Financial assets

The muncipality derecognises financial assets using trade date accounting.

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

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

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

Financial liabilities

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

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

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

1.10 Inventories

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

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

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

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

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

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

Accounting Policies

1.10 Inventories (continued)

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

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

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

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the VAT Act No.89 of 1991.

1.12 Employee benefits

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

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:
- 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 municipality during a reporting period, the municipality recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity 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 municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality 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 municipality has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the muncipality pays fixed contributions into a separate muncipality (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 muncipality during a reporting period, the muncipality 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, the muncipality 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.

1.12 Employee benefits (continued)

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.

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 muncipality recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

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

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

The municipality accounts 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 muncipality’s informal practices. Informal practices give rise to a constructive obligation where the muncipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the muncipality’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 muncipality measure the resulting asset at the lower of:

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

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

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

1.12 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;
- actuarial gains and losses;
- past service cost;

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (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.

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 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.

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.

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

1.12 Employee benefits (continued)

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method to determine the present value of the obligations.

The amount recognised as a liability for other long-term employee benefits 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.

The entity recognises the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which shall all be recognised immediately;

Termination benefits

The entity recognises termination benefits as a liability and an expense when the municipality 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 municipality 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.

1.13 Provisions and contingencies

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

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

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

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

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

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

1.13 Provisions and contingencies (continued)

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

Decommissioning, restoration and similar liability

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

Where the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.7 and 1.8.

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

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

1.14 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited / debited against accumulated surplus / deficit. Prior year adjustments, relating to income and expenditure, are credited / debited against accumulated surplus when retrospective adjustments are made.

1.15 Revenue from exchange transactions

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

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.

1.15 Revenue from exchange transactions (continued)

Sale of goods

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

Rendering of services

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

When 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 surveys of work performed.

Interest and dividends

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

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

1.16 Revenue from non-exchange transactions

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

Recognition

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

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

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

1.16 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

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

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

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

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Concessionary loans received

A concessionary loan is a loan granted to or received by the property, plant and equipment on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, are exchange transactions and are accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

1.17 Investment income

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

1.18 Borrowing costs

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

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

1.19 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 municipality assesses the classification of each element separately.

1.19 Leases (continued)

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

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

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

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.

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

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

1.20 Grant in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the events given raise to the transfer occurred.

1.21 Comparative figures

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

Reclassification of certain accounts were made in order to comply with the requirements of Municipal Standard Chart of Accounts (MSCOA). The reclassifications have no impact on the net asset value of the municipality.

1.22 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

1.22 Commitments (continued)

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 municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.23 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 years that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 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 years that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality’s supply chain management policy.

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

1.26 Budget information

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

The approved budget covers the fiscal period from 01-Jul-19 to 30-Jun-20.

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

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

1.27 Related parties

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

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

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

Accounting Policies

1.27 Related parties (continued)

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

1.28 Events after reporting date

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

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

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

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

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

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

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

1.29 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current years

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

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act, Act No. 107 of 1997 provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 1 April 2019.

The municipality has adopted the guideline for the first time in the 2020/2019 annual financial statements.

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

IGRAP 19: Liabilities to Pay Levies

This Interpretation of the Standards of GRAP provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation of the Standards of GRAP addresses the following issues:

- What is the obligating event that gives rise to the recognition of a liability to pay a levy?
- Does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?
- Does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- Does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- What is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- The obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- An entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- The preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation of the Standards of GRAP; and
- An entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the interpretation is not yet set by the Minister of Finance.

The municipality has adopted the interpretation for the first time when the Minister sets the effective date for the interpretation.

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

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality has adopted the standard for the first time when the Minister sets the effective date for the standard.

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

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

2. New standards and interpretations (continued)

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 1 April 2019.

The municipality has adopted the standard for the first time in the 2020/2020 annual financial statements.

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

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 1 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:
- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the is not yet set by the Minister of Finance.

The municipality expects to adopt the for the first time when the Minister sets the effective date for the .

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:
- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 1 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Inventories

Land	33,354,783	23,701,127
RDP Houses	-	128,952
Consumable stores	26,287,931	26,082,178
Water for distribution	607,507	223,977
Stores, materials and fuels	258,827	38,367
	60,509,048	**50,174,601**

In the 2019/2020 financial year Property, Plant and Equipment - Land to the value of R 11 666 995 was transfered to the Inventory - Land.

Inventory pledged as security

During the year no inventory was pledged as security.

Inventory shortages and surpluses

Inventory shortages writen off during the year	(314,575)	(487,206)
Inventory surpluses for the year	270,147	379,950
	(44,428)	**(107,256)**

4. Long term receivables

Designated at amortised cost		
Long term receivables from exchange transactions	5,240,108	2,588,026
Consumer debtors arrangements on long outstanding debts in accordance with the credit control policy		
Non-current assets		
Designated at amortised cost	5,240,108	2,588,026

5. Operating lease asset

Current assets	3,493,101	2,855,352

Figures in Rand	2020	2019

5. Operating lease asset (continued)

Minimum lease income		
-within one year	13,112,592	12,423,211
-second to fifth year	12,608,838	25,324,231
-after five years	342,637	467,544
	26,064,067	**38,214,986**

Included in the operating lease revenue are the following significant contracts:

1. Izimbiwa Coal Pty Ltd - Lease of Farms in Middleburg.

The contract expires on 31 March 2022. The contract escalates annually at 6%

Actual income levied 2019/2020	R10 873 920.96
Expected levy income 2020/2021	R12 217 937.59
Annual straightlining	R11 510 974.54

2. Gerrie Gerrits (Pty)Ltd T/A Pienaarsdam Resort: Rental of portions of Farm Vaalbank for riparian purposes.

The contract expires on 31 October 2027. The contract escalates annually with 10%.

Actual income levied 2019/2020	R 66 646.80
Expected levy income 2020/2021	R 80 642.63
Annual straightlining	R 100 109.74

3. Barnes Caude Stanley : Rental of a portion of Erf 11027 Middleburg Extension 33.The contract expires on 31 August 2021. The contract escalates annually with 10%

Actual income levied 2019/2020	R 77 760.00
Expected levy income 2019/2020	R 83 980.80
Annual straightlining	R 94 908.80

4. Mpumalanga Valve Services Pty Ltd : Rental of the remainder of Erf 11033 Middleburg for Industry purposes. The contract expires on the 31 March 2022. The contract escalates annually with 8%.

Actual income levied 2019/2020	R 154 393.00
Expected levy income 2020/2021	R 180 083.99
Annual straightlining	R 156 527.82

5. Training institute for primary health care : Rental of a portion of the office building on Erf 11848 Mhluzi Extension 7. The contract expires on the 30 September 2020.The contract escalates annually with 8%.

Actual income levied 2019/2020	R 73 872.00

Figures in Rand	2020	2019

5. Operating lease asset (continued)

Expected levy income 2020/2021	R 7 180.36	
Annual straightlining	R 74 511.37	

6. Other receivables from exchange transactions

	2020	2019
Accrued interest (bank)	35,298,283	24,504,020
Abeyance (Arrangements)	4,588,726	2,288,867
Sundry debtors	22,680,736	17,411,862
Less allowance for impairment	(12,327,932)	(13,146,527)
	50,239,813	**31,058,222**

Included in other receivables from exchange transactions above are the following receivables which are not impaired:

	2020	2019
Accrued interest (bank)	35,298,283	24,504,020
Abayence (Arrangements)	4,588,726	2,288,867
	39,887,009	**26,792,887**

Other receivables pledged as security

None of other receivables were pledged as security.

Other receivables past due but not impaired

Trade and other receivables which are less than 1 month past due are not considered to be impaired. At 30 June 2020 and 30 June 2019 all accounts past due were considered for impairement.

Other receivables impaired

As of 30 June 2020, sundry debtors of R (15,903,740) (2019: R 13,146,527) were impaired and provided for.

The amount of the provision was R 2,757,213 as of 30 June 2020 (2019: R 1,396,747).

The ageing of these loans is as follows:

	2020	2019
0 to 3 months	7,678,454	3,351,503
3 to 6 months	2,212,250	1,315,243
Over 6 months	13,830,314	13,171,657

Reconciliation of provision for impairment of trade and other receivables

	2020	2019
Opening balance	(13,146,527)	(11,749,780)
Provision for impairment	818,595	(1,396,747)
	(12,327,932)	**(13,146,527)**

7. Receivables from non-exchange transactions

	2020	2019
Traffic fines	4,186,279	3,489,247
Property rates	32,722,314	32,580,608
	36,908,593	**36,069,855**

Figures in Rand	2020	2019

7. Receivables from non-exchange transactions (continued)

Age analysis (Traffic fines)

>151 days	51,581,508	50,553,139
Allowance for impairment	(47,395,229)	(47,063,892)
	4,186,279	**3,489,247**

Age analysis (Property rates)

Current (0-30 days)	27,651,470	26,172,601
31-60 days	9,387,932	7,530,414
61-90 days	10,556,402	8,002,934
91-120 days	12,703,258	8,635,944
121-150 days	7,369,181	5,011,931
> 150 days	33,074,837	24,693,052
Allowance for impairment	(68,020,766)	(47,466,268)
	32,722,314	**32,580,608**

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

Opening balance	(94,530,160)	(59,925,103)
Provision for impairment	(20,885,835)	(34,605,057)
	(115,415,995)	**(94,530,160)**

8. Receivables from exchange transactions

Gross balances

Electricity	46,779,083	19,012,319
Water	36,482,330	20,084,251
Waste water management	54,741,663	32,686,403
Waste management	64,821,246	44,211,217
Land sale debtors	923,123	169,578
Merchandising, jobbing and contracts	22,701,100	14,009,725
	226,448,545	**130,173,493**

Less: Allowance for impairment

Electricity	(24,120,121)	(16,593,988)
Water	(15,759,450)	(8,301,287)
Waste water management	(31,499,237)	(30,970,895)
Waste management	(54,504,554)	(36,678,465)
Land sale debtors	(601,026)	(453,704)
Merchandising, jobbing and contracts	(10,746,670)	(7,328,366)
	(137,231,058)	**(100,326,705)**

Net balance

Electricity	22,658,962	2,418,331
Water	20,722,880	11,782,964
Waste water management	23,242,426	1,715,508
Waste management	10,316,692	7,532,752
Land sale debtors	322,097	(284,126)
Merchandising, jobbing and contracts	11,954,430	6,681,359
	89,217,487	**29,846,788**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Receivables from exchange transactions (continued)

Electricity		
Current (0 -30 days)	19,562,642	7,950,801
31 - 60 days	5,570,464	2,263,991
61 - 90 days	4,134,133	1,680,227
91 - 120 days	4,481,231	1,821,297
121 - 365 days	2,449,865	995,693
> 365 days	10,580,748	4,300,310
Less Allowance for impairment	**(24,120,121)**	**(16,593,988)**
	22,658,962	**2,418,331**

Water		
Current (0 -30 days)	9,394,225	7,938,058
31 - 60 days	3,457,394	1,107,055
61 - 90 days	4,044,127	762,960
91 - 120 days	5,027,549	686,030
121 - 365 days	2,901,633	615,030
> 365 days	11,657,401	-
Less allowance for impairment	**(15,759,450)**	**673,831**
	20,722,879	**11,782,964**

Waste water management		
Current (0 -30 days)	8,519,108	5,086,784
31 - 60 days	7,628,488	4,554,992
61 - 90 days	10,694,796	6,385,893
91 - 120 days	13,922,603	8,313,226
121 - 365 days	7,216,614	4,309,061
> 365 days	6,760,051	4,036,446
Less allowance for impairment	**(31,499,237)**	**(30,970,895)**
	23,242,423	**1,715,507**

Waste management		
Current (0 -30 days)	9,618,688	6,560,409
31 - 60 days	9,433,195	6,433,894
61 - 90 days	13,248,280	9,035,966
91 - 120 days	17,307,600	11,804,618
121 - 365 days	8,924,911	6,087,220
> 365 days	6,288,567	4,289,106
Less allowance for impairment	**(54,504,554)**	**(36,678,466)**
	10,316,687	**7,532,747**

Land sales debtors		
Current (0 -30 days)	4,849	(35,071)
31 - 60 days	40	41
61 - 90 days	2,255	41
91 - 120 days	40	41
121 - 365 days	40	41
> 365 days	915,899	204,485
Less allowance for impairment	**(601,026)**	**(453,704)**
	322,097	**(284,126)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Receivables from exchange transactions (continued)

Merchandising, jobbing and contracts		
Current (0 -30 days)	3,118,778	1,255,449
31 - 60 days	265,719	1,220,964
61 - 90 days	253,353	368,731
91 - 120 days	1,945,096	301,315
121 - 365 days	868,964	431,248
> 365 days	16,249,190	10,432,018
Less allowance for impairment	**(10,746,670)**	**(7,328,366)**
	11,954,430	**6,681,359**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(100,326,567)	(28,753,138)
Contributions to allowance	(36,904,491)	(71,573,567)
	(137,231,058)	**(100,326,705)**

Receivables pledged as security

No receivables from exchange transactions were pledged as security.

9. VAT receivable

VAT	88,080,140	70,750,692

The municipality recognises VAT on the accrual basis and declares it to SARS on a cash basis.

10. Investments

At amortised cost		
ABSA Bank	100,000,000	80,000,000
First National Bank	-	80,000,000
Investec Bank	-	80,000,000
Nedbank	100,000,000	80,000,000
Standard Bank	-	80,000,000
Investec Call Account	50,000,000	50,000,000
	250,000,000	**450,000,000**

11. Deposits

Eskom	520,012	437,706
Other deposits	1,875,102	1,860,276
	2,395,114	**2,297,982**

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	42,380	42,380
Bank balances	320,442,946	241,705,027
	320,485,326	**241,747,407**

12. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA BANK (Nelspruit) - cheque account 10-4000-0077	328,112,287	217,707,871	77,570,246	306,617,341	198,977,187	34,472,008
ABSA BANK (Nelspruit) - cheque account 40-7830-3563	10,541,571	45,882,041	38,177,403	13,825,605	42,727,840	38,556,280
ABSA BANK (Nelspruit) - Cheque account 40-5357-0755	24,821	-	-	42,400	42,380	-
Total	**338,678,679**	**263,589,912**	**115,747,649**	**320,485,346**	**241,747,407**	**73,028,288**

13. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property - Land	25,417,439	-	25,417,439	25,417,439	-	25,417,439

Reconciliation of investment property - 2020

	Opening balance	Total
Investment property (Land)	25,417,439	25,417,439

Reconciliation of investment property - 2019

	Opening balance	Transfers	Total
Investment property (Land)	25,895,021	(477,582)	25,417,439

Pledged as security

None of the investment property has been pledged as security.

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.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality has to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
  - the fact that the entity has disposed of investment property not carried at fair value,
  - the carrying amount of that investment property at the time of sale, and
  - the amount of gain or loss recognised.

Amounts recognised in surplus or deficit

	2020	2019
Rental revenue from Investment property	17,754,952	17,102,327

14. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1,260,579,281	-	1,260,579,281	1,274,813,593	-	1,274,813,593
Buildings	281,995,296	(122,948,957)	159,046,339	265,395,597	(113,307,399)	152,088,198
Infrastructure	7,528,344,011	(3,031,449,693)	4,496,894,318	7,145,270,099	(2,835,646,087)	4,309,624,012
Community	589,278,051	(12,502,233)	576,775,818	840,252,854	(273,363,089)	566,889,765
Other property, plant and equipment	483,472,255	(265,377,957)	218,094,298	401,766,295	(193,278,264)	208,488,031
Total	**0,143,668,894**	**(3,432,278,840)**	**6,711,390,054**	**9,927,498,438**	**(3,415,594,839)**	**6,511,903,599**

14. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Other Movements	Depreciation	Impairment loss	Total
Land	1,274,813,593	-	(2,567,317)	(11,666,995)	-	-	-	1,260,579,281
Buildings	152,088,198	13,370,359	(31,595)	-	-	(6,358,699)	(21,924)	159,046,339
Infrastructure	4,309,624,012	355,263,173	-	(7,794,763)	(179,276)	(136,703,773)	(23,315,055)	4,496,894,318
Community	566,889,765	31,044,811	-	-	-	(17,848,226)	(3,310,532)	576,775,818
Other property, plant and equipment	208,488,031	67,195,935	-	-	-	(45,394,026)	(12,195,642)	218,094,298
	6,511,903,599	**466,874,278**	**(2,598,912)**	**(19,461,758)**	**(179,276)**	**(206,304,724)**	**(38,843,153)**	**6,711,390,054**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Perior period error movements	Other changes, movements	Depreciation	Impairment loss	Total
Land	1,168,973,310	16,189,967	(2,464,429)	114,229,628	-	(22,114,883)	-	-	-	1,274,813,593
Buildings	145,392,805	15,792,040	(103,819)	-	(1,245)	(3,282,242)	-	(5,709,341)	-	152,088,198
Infrastructure	4,317,254,341	252,992,700	(8,432,592)	-	-	(113,709,142)	(8,488,349)	(129,992,946)	-	4,309,624,012
Community	563,670,282	32,832,177	-	-	-	(12,735,323)	-	(16,877,371)	-	566,889,765
Other property, plant and equipment	158,723,494	72,593,849	(1,630,256)	-	-	19,700,851	-	(42,286,321)	1,386,414	208,488,031
	6,354,014,232	**390,400,733**	**(12,631,096)**	**114,229,628**	**(1,245)**	**(132,140,739)**	**(8,488,349)**	**(194,865,979)**	**1,386,414**	**6,511,903,599**

Pledged as security

None of the above property, plant, and equipment have been pledged as security.

Assets subject to finance lease (Net carrying amount)

Other property, plant and equipment	7,862,496	6,212,604

14. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	132,029,322	14,710,750	6,190,870	152,930,942
Additions/capital expenditure	194,965,107	5,790,000	2,449,209	203,204,316
Transfered to completed projects	(69,161,555)	(12,800,000)	(4,509,821)	(86,471,376)
	257,832,874	**7,700,750**	**4,130,258**	**269,663,882**

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	118,504,567	1,891,000	6,014,225	126,409,792
Additions/capital expenditure	87,267,894	13,512,490	5,376,493	106,156,877
Transfered to completed projects	(73,743,139)	(692,740)	(5,199,848)	(79,635,727)
	132,029,322	**14,710,750**	**6,190,870**	**152,930,942**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Contracted services	64,335,270	52,307,870
Inventory consumed	8,374,022	10,686,210
Operational costs	1,398,476	1,889,448
Outsourced services	8,604,717	8,999,265
	82,712,485	**73,882,793**

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.

15. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	19,024,880	(9,403,267)	9,621,613	17,685,188	(7,779,000)	9,906,188

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Amortisation	Total
Computer software	9,906,188	1,339,691	(1,624,266)	9,621,613

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Prior period error movements	Amortisation	Total
Computer software	8,066,598	2,372,999	540,563	(1,073,972)	9,906,188

Pledged as security

None of the above intangible assets have been pledged as security.

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.

Figures in Rand	2020	2019

16. Long term liabilities

At amortised cost		
Infrastructure Finance Corporation	7,922,543	11,352,781
Interest at 9.59% redeemable on 30/06/2022		
Infrastructure Finance Corporation	11,219,764	14,319,922
Interest at 9.29 redeemable on 30/06/2023		
Infrastructure Finance Corporation	14,184,627	17,003,091
Interest at 9.02% redeemable on 30/06/2024		
ABSA	463,393,494	278,494,921
Interest at 9.67% redeemable on 30/06/2033		
	496,720,428	**321,170,715**
Total other financial liabilities	**496,720,428**	**321,170,715**
Non-current liabilities		
At amortised cost	468,166,805	302,656,430
Current liabilities		
At amortised cost	28,553,623	18,514,285

17. Finance lease obligation

Minimum lease payments due		
- within one year	5,153,618	4,974,845
- in second to fifth year inclusive	3,518,653	8,850,153
	8,672,271	13,824,998
less: future finance charges	(764,881)	(1,831,613)
Present value of minimum lease payments	**7,907,390**	**11,993,385**
Present value of minimum lease payments due		
- within one year	4,153,687	5,387,648
- in second to fifth year inclusive	3,753,703	6,605,737
	7,907,390	**11,993,385**
Non-current liabilities	3,753,703	6,605,737
Current liabilities	4,153,687	5,387,648
	7,907,390	**11,993,385**

It is municipality policy to lease photocopiers under finance leases. The municipality entered into a lease agreement with Nashua for 51 machines for a period of 5 years. An effective borrowing rate of 10.5% was used for valuation of finance lease obligation.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 14.

Figures in Rand	2020	2019

18. Payables from exchange transactions

Trade payables	22,180,654	10,859,323
Pre-paid meter sales in advance	5,201,335	3,758,702
Accrued expenses	108,981,142	123,438,601
Consumer receivables paid in advance	17,719,120	13,003,787
Sundry receivables paid in advance	1,092,086	1,101,141
Staff leave	47,528,671	35,425,802
Retentions payable	49,818,354	35,830,265
Third party pre-paid sales in advance	3,175,808	1,852,542
Unallocated deposits	27,627,332	27,138,144
	283,324,502	**252,408,307**

19. Payables from non-exchange transactions

The Local Government Sector Education and Training Authority	601,894	-
Mpumalanga AGRISETA	69,480	69,480
Housing accreditation grant	-	3,277,613
	671,374	**3,347,093**

20. Deposits

Electricity and water	73,444,088	71,543,878
Sundry	1,889,777	1,537,508
	75,333,865	**73,081,386**

No interest is paid on deposits.

Guarantees hold in lieu of electricity and water deposits for 2020: R 7 020 639 (2019: R7 175 639).

Deposits consists of consumer deposits for water and electricity, contractor deposits (Wayleave), Rental of facilities and unallocated receipts.

21. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

The municipality offers employees and continuation members(pensioners) the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical aid scheme.

The municipality has a policy to subsidise the medical aid contributions of permanently employed employees who go on retirement, provided they are members of the municipal accredited medical aid schemes. All existing continnuation members (pensioners) and their dependants will continue to receive either a 60% or 70% subsidy depending on when they retired. This subsidy is subject to the maximum amount of R4 773.12 (per month per member) for the period from 1 July 2019 to 30 June 2020.

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

Carrying value		
Present value of the defined benefit obligation	(101,602,001)	(100,536,447)
Non-current liabilities	(98,020,001)	(97,119,362)
Current liabilities	(3,582,000)	(3,417,085)
	(101,602,001)	**(100,536,447)**

Figures in Rand	2020	2019

21. Employee benefit obligations (continued)

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

	2020	2019
Opening balance	100,536,446	91,629,886
Net expense recognised in the statement of financial performance	1,065,554	8,906,560
	101,602,000	**100,536,446**

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	5,444,720	5,273,210
Interest cost	9,362,662	8,647,481
Actuarial (gains) losses	(9,718,949)	(1,106,979)
Contributions (benefits paid)	(4,022,879)	(3,907,152)
	1,065,554	**8,906,560**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	10.64 %	9.47 %
Net of maximum subsidy inflation discount rate	5.75 %	4.44 %
Maximum subsidy inflation rate	4.63 %	4.82 %
Medical cost trend rates	6.67 %	6.92 %
Net effective discount rate	3.72 %	2.38 %
Average retirement age	62	62
Pre-retirement mortality (SA)	85	85
Post retirement mortality (PA)	90	90

Other assumptions

Valuation results are sensitive to changes in the underlying assumptions. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Health inflation - effect on the aggregate of the service cost and interest cost	1	1
Healthcare - effect on defined benefit obligation	1	1

Amounts for the current and previous four yearss are as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	101,602,000	100,536,446	91,629,886	90,849,059	83,610,780

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

	2020	2019
The total contributions expensed for defined contribution plans amounted to	61,684,366	55,684,583

22. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

22. Unspent conditional grants and receipts (continued)

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

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

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

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

23. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	24,841,391	-	(2,941,331)	21,900,060
Performance bonus	1,812,769	816,381	(1,013,329)	1,615,821
Church erven	159,654	230,435	(78,947)	311,142
	26,813,814	**1,046,816**	**(4,033,607)**	**23,827,023**

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Landfill rehabilitation	28,027,318	-	(3,185,927)	24,841,391
Performance bonus	2,151,628	799,440	(1,138,299)	1,812,769
Church erven	166,666	80,707	(87,719)	159,654
	30,345,612	**880,147**	**(4,411,945)**	**26,813,814**

	2020	2019
Non-current liabilities	22,211,202	25,001,045
Current liabilities	1,615,821	1,812,769
	23,827,023	**26,813,814**

Landfill rehabilitation

The landfill rehabilitation created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideartion is the Middleburg landfill site situated on the part of the reminder Remainder of Portion 1 of the Farm Rietfontein 286 JS, District of Middleburg, approximately 7km West of Middleburg.The valuation for the landfill site was performed using the General Landfill Closure Costing Model(GLCCM) that was developed by Mr Seakle Godschalk Pr Sci Nat, GIMFO and Dr Maryna Mohr, from Environmental and Sustainability Solutions(ESS). Mr Godschalk is a registered professional environmental scientist with the South African Council for the Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES). He is also a member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO) and the Institute of Directors.

Key financial assumptions used in this calculations were a CPI of 3.0507%, a discount rate of 8.0507% and therefore a net effective discount rate of 5%.

The 2020 discounted value of the landfill closure provision of R21 900 060 represents a decrease of R2 941 331 compared to the provision of R24 841 391 in the previous financial year. Composition of this change relates to changes in the CPI , discount rate and unit costs. The interest charge relating to the assessment amounts to R 2 035 678.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for the waste disposal as at 30 June 2020. The size of the Middleburg landfill site that has already been used for dumping of waste is estimated at 96 221 m².The remaining life of the landfill is estimated at 13 years.

Performance bonus

The provision is to provide for performance bonuses of the Section 57 employees and other senior managers where applicable.The provision is calculated at 14% of the total remuneration in terms of the performance agreements at the reporting date which is usually paid within one year.

Figures in Rand	2020	2019

23. Provisions (continued)

Church erven

The provision for church erven is for the obligation the municipality has to pay 25% of the purchase price back to the church once the property is fully developed within the period specified on the deed of sale. The provision is evaluated at year-end to reflect the best estimate at reporting date.

24. Long service awards

Long service awards are awarded in the form of a number of leave days once an employee has completed a certain number of years in service. The valuation was performed in line with GRAP 25 Employee benefits by Independent Actuaries and Consultants as at 30 June 2020.

Changes in the present value of the long service liability is		
Opening balance	24,226,288	20,289,590
Current service cost	2,691,195	2,192,314
Interest cost	1,890,750	1,671,328
Benefits vested	(2,498,263)	(2,728,441)
Acturial (gain)/loss	(541,970)	2,801,497
	25,768,000	**24,226,288**

Current liability	-	-	-	1,971,006	2,498,263
Non-current liabilty				23,796,994	21,728,025
				25,768,000	**24,226,288**

	2020	**2019**	**2018**	**2017**	**2016**
Long service award liability	25,768,000	24,226,288	20,289,590	18,594,629	17,689,533

Assumptions used at the reporting date		
Discount rate	7.55%	8.22%
Normal salary increase rate	4.10%	5.59%
Net discount rate	3.31%	2.49%

25. Service charges

Sale of electricity	638,979,442	571,094,991
Sale of water	115,197,268	85,130,065
Sewerage and sanitation charges	84,104,444	77,682,829
Refuse removal	95,080,385	87,234,549
	933,361,539	**821,142,434**

26. Income from agency services

Vehicle Registration	25,791,907	26,090,102

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Operating income

Incidental cash surpluses	253,904	22,887
Sale of erven	37,186,158	31,840,633
Breakages and losses recovered	26,611	10,909
Registration fee	273,020	258,339
Insurance claims	1,563,580	1,325,759
Administration fees	2,818,363	2,777,218
Request information	284,883	182,079
Skills development fund refund	3,270	-
Collection charges	755,836	3,373,223
Discounts and early settlements	-	2,005
Staff recoveries	80,233	22,777
Merchandising, jobbing and contracts	1,148,184	1,284,915
	44,394,042	**41,100,744**

28. Investment revenue

Interest revenue

Short term investments	28,013,985	20,753,714
Bank	15,447,489	31,117,307
	43,461,474	**51,871,021**

29. Property rates

Rates received

Residential	242,818,141	221,069,236
Commercial	86,013,864	78,225,885
Government	14,373,007	12,959,472
Privately owned towns	623,057	636,681
Farm properties	5,066,766	6,239,491
Mining	2,122,769	2,306,897
Industrial	79,324,317	71,314,013
Multiple purpose	10,462,504	7,927,367
Other categories	6,795,041	6,298,918
Less: Income forgone	(45,672,748)	(39,991,489)
	401,926,718	**366,986,471**

Valuations

Public benefit organisations	96,762,000	394,016,700
Commercial	6,191,784,900	2,815,214,000
Government	1,242,143,000	1,400,711,000
Privately owned towns	62,881,000	65,367,000
Farm properties	3,078,054,500	3,086,745,500
Mining properties	84,317,000	108,581,000
Industrial properties	3,405,299,000	3,400,286,200
Multi purposes	868,358,170	745,404,000
Other categories	562,883,000	3,450,598,400
Residential	2,983,948,000	2,732,717,200
	8,576,430,570	**8,199,641,000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

A general rate of R 1 (2019: R0.093) is applied to property valuations to determine assessment rates.

Figures in Rand	2020	2019

30. Transfers and subsidies

Operating grants		
Equitable share	200,511,000	179,370,000
Finance management grant	1,700,000	1,700,000
Municipal Infrastructure grant	1,988,640	1,949,000
Expanded public works programme	3,723,000	1,881,000
Provincial Departmental Agencies:Mpumalanga Agriculture	-	300,000
Municipal support and governance	3,563,356	933,394
Greenest municipality competition	-	121,215
Government grant (operating) 20	447,000	-
	211,932,996	**186,254,609**
Capital grants		
Integrated national electrification grant (INEP)	8,000,000	9,000,000
Municipal Infrastructure Grant	47,727,360	50,291,000
Expanded public works programme	-	2,270,000
Water Services Infrastructure Grant	30,000,000	16,800,000
	85,727,360	**78,361,000**
	297,660,356	**264,615,609**

Equitable Share

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

Current year receipts	200,511,000	179,370,000

Municipal infrastructure grant (MIG)

Current-year receipts	49,716,000	52,240,000
Conditions met - transferred to revenue	(49,716,000)	(52,240,000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Departmental agencies: Mpumalanga AGRISETA

Current-year receipts	-	69,480
Conditions met - transferred to revenue	-	(69,480)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

National Government: Local Government Finance Management Grant (FMG)

Current-year receipts	1,700,000	1,700,000
Conditions met - transferred to revenue	(1,700,000)	(1,700,000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

Figures in Rand	2020	2019

30. Transfers and subsidies (continued)

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

Arbor City Award

Current-year receipts	-	300,000
Conditions met - transferred to revenue	-	(299,655)
Transfer to payables from non-exchange transactions	-	(345)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Water Services Infrastructure Grant

Current-year receipts	30,000,000	16,800,000
Conditions met - transferred to revenue	(30,000,000)	(16,800,000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Mpumalanga: Capacity Building: LGSETA

Current-year receipts	47,990	933,394
Conditions met - transferred to revenue	(47,990)	(933,394)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Housing Accreditation

Current-year receipts	-	1,993,207
Reclassified from payables	220,000	(1,993,207)
Conditions met - transferred to revenue	(220,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Integrated national electrification programme grant (INEP)

Current-year receipts	8,000,000	9,000,000
Conditions met - transferred to revenue	(8,000,000)	(9,000,000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Greenest municipality competition

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

30. Transfers and subsidies (continued)

Current-year receipts	-	175,000
Conditions met - transferred to revenue	-	(121,215)
Other	-	(53,785)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Municipal Disaster Relief Grant

Current-year receipts	447,000	-
Conditions met - transferred to revenue	(447,000)	-
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

Expanded public works programme (EPWP)

Current-year receipts	3,723,000	4,151,000
Conditions met - transferred to revenue	(3,723,000)	(4,151,000)
	-	-

Conditions still to be met - remain liabilities (see note 22).

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

31. Public contributions and donations

Public contributions and donations	9,918,314	20,664,251

Conditions still to be met - remain liabilities (see note 22)

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Employee related costs

Salaries	312,512,652	284,212,332
Acting and scarcity allowance	6,125,317	5,869,145
Bonus	25,051,067	22,524,303
Medical aid - company contributions	30,574,109	27,030,305
Unemployment insurance fund contributions	2,667,536	2,601,841
Leave pay provision charge	13,903,207	8,688,996
Pension fund contributions	61,684,366	55,684,583
Overtime and standby allowances	101,482,203	90,902,310
Travel and motor vehicle allowances	17,013,144	15,832,515
Housing benefits and allowances	2,080,796	2,049,920
Group insurance	2,251,802	1,928,512
Cellphone allowance	922,289	797,794
Employee benefits	7,824,096	17,807,522
	584,092,584	**535,930,078**

Municipal Manager: B Khenisa

Annual Remuneration	1,125,584	1,276,376
Performance Bonuses	89,269	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Travel allowance	120,000	121,385
	1,336,638	**1,399,546**

Acting Municipal Manager: SM Mnguni

Performance bonuses	53,764	117,366
Contributions to UIF, Medical and Pension Funds	149	-
	53,913	**117,366**

Received performance bonus in relation to 2017/18 financial year.

Executive Director Financial Services: E Wassermann

Annual Remuneration	-	1,202,940
Contributions to UIF, Medical and Pension Funds	149	64,625
Performance bonuses	95,172	100,566
Travel allowance	-	118,095
	95,321	**1,486,226**

Executive Manager Infrastructure Services: A Ntuli

Annual Remuneration	821,320	527,532
Travel Allowance	146,400	84,367
Performance Bonuses	118,503	-
Contributions to UIF, Medical and Pension Funds	41,806	25,341
	1,128,029	**637,240**

Acting from 1 July 2018 to October 2018. Appointed on 1 November 2018.

Executive Manager Corporate Services: M Khumalo

Annual Remuneration	825,841	788,499
Car Allowance	144,000	132,000
Performance Bonuses	104,670	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Employee related costs (continued)

Contributions to UIF, Medical and Pension Funds	38,387	63,241
	1,112,898	**983,740**

Executive Manager Community Services: T Zulu

Annual Remuneration	530,961	499,303
Car Allowance	336,000	104,074
Performance Bonuses	111,908	123,064
Contributions to UIF, Medical and Pension Funds	109,779	232,000
	1,088,648	**958,441**

Appointed 1 August 2018.

Executive Manager Infrastructure Services: TM Letlaka

Performance Bonuses	-	89,521

Appointed from the 1st September 2017 until 30 June 2018.

Acting Executive Manager Corporate Services: S Mothiba

Annual Remuneration	-	67,877
Car Allowance	-	98,595
Performance Bonuses	-	56,751
Contributions to UIF, Medical and Pension Funds	-	132,999
	-	**356,222**

Appointed on 1 November 2018.

Acting Executive Manager Community Services: A Masiya

Acting Allowance	-	18,173

The remuneration of staff is within the upper limits of the SALGA Bargaining Council's determinations.

Acting Executive Manager Financial Services: David Mogofe

Acting Allowance	139,345	-

Acting from November 2019 to June 2020.

Acting Executive Manager Financial Services: BJ Booyens

Acting Allowance	114,731	-

Acting from July to October 2019.

33. Remuneration of councillors

Executive Mayor	938,250	903,871
Chief whip	714,787	689,003
Mayoral Committee Members	4,288,721	4,134,018
Speaker	759,415	731,975
Councillors	16,861,182	16,289,233
	23,562,355	**22,748,100**

Figures in Rand	2020	2019

33. Remuneration of councillors (continued)

In-kind benefits

The Executive Mayor, Chief Whip, Speaker, Mayoral Committee members and the MPAC chairperson are full-time. Each is provided with an office and secretarial support at the cost of the council. The executive mayor has use of a council owned vehicle and driver for official duties. The executive mayor has a personal assistant to assist him in his duties.

Council remuneration is made up of the following

	2020	2019
Councillors	16,049,968	15,857,206
Cellphone and other allowances	2,560,929	2,560,329
Motor vehicle allowance	2,782,375	2,231,982
Medical aid contributions	759,842	385,537
Pension fund contributions	1,409,241	1,713,046
	23,562,355	**22,748,100**

Salary, allowances and benefits of councillors are within the upper limits of the framework envisaged in section 219 of the Constitution.

2019

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor - BJ Tolo	859,471	-	-	-	44,400	903,871
Speaker - AM Mabena	432,156	171,894	62,612	20,913	44,400	731,975
Chief Whip - SD Nkadimeng	398,140	161,151	57,463	27,849	44,400	689,003
	1,689,767	**333,045**	**120,075**	**48,762**	**133,200**	**2,324,849**

Mayoral committee	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr MI Kgalema	404,036	161,151	58,503	20,913	44,400	689,003
Cllr NC Mkhuma	389,447	161,151	66,156	27,849	44,400	689,003
Cllr DJ Motsepe	539,227	-	78,095	27,281	44,400	689,003
Cllr J Matshiane	404,036	161,151	58,503	20,913	44,400	689,003
Cllr TE Mnguni	538,744	-	78,009	27,849	44,400	689,002
Cllr SM Malepeng	421,812	161,151	61,640	-	44,400	689,003
	2,697,302	**644,604**	**400,906**	**124,805**	**266,400**	**4,134,017**

33. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr T P Mnisi	237,311	-	34,679	-	44,400	316,390
Cllr A B Marumo	271,990	-	-	-	44,400	316,390
Cllr GHE Romijn	203,992	67,998	-	-	44,400	316,390
Cllr TN Van Zyl	96,092	-	-	-	16,374	112,466
Cllr MN Mathibela	237,311	-	34,679	-	44,400	316,390
Cllr T S Motloung	237,311	-	34,679	-	44,400	316,390
Cllr N M Hadebe	177,983	67,998	26,009	-	44,400	316,390
Cllr L K Mahlangu	237,311	-	34,679	-	44,400	316,390
Cllr D D Klopper	111,440	37,147	-	-	24,256	172,843
Cllr E Du Toit	237,311	-	34,679	-	44,400	316,390
Cllr J P Pretorius	177,983	67,998	26,009	-	44,400	316,390
Cllr DJ Skhosana	237,311	-	34,679	-	44,400	316,390
Cllr R G Mamogale	221,540	-	31,896	18,554	44,400	316,390
Cllr D L Paul	237,311	-	34,679	-	44,400	316,390
Cllr K P J Uys	237,311	-	34,679	-	44,400	316,390
Cllr AS Grobler	177,983	67,998	26,009	-	44,400	316,390
Cllr T E Motsepe	237,311	-	34,679	-	44,400	316,390
Cllr J Skosana	271,990	-	-	-	44,400	316,390
Cllr H F Niemann	177,983	67,998	26,009	-	44,400	316,390
Cllr A O Thabatha	237,311	-	34,679	-	44,400	316,390
Cllr S J Roos	203,992	67,998	-	-	44,400	316,390
Cllr D A Stuurman	271,990	-	-	-	44,400	316,390
Cllr E M Bruiners	271,990	-	-	-	44,400	316,390
Cllr A Struwig	231,191	40,799	-	-	44,400	316,390
Cllr L J N Zondo	215,356	-	30,804	25,829	44,400	316,389
Cllr H G De Klerk	182,775	67,998	-	21,218	44,400	316,391
Cllr T P Motau	177,983	68,001	26,009	-	44,400	316,393
Cllr S Wait	203,992	67,998	-	-	44,400	316,390
Cllr K J Phasha	237,311	-	34,679	-	44,400	316,390
Cllr A M Mahlangu	237,311	-	34,679	-	44,400	316,390
Cllr J Dyason	271,990	-	-	-	44,400	316,390
Cllr P V Malinga	177,983	-	26,009	-	33,300	237,292
Cllr S M Mogola	251,077	-	-	20,913	44,400	316,390
Cllr L C Masemula	271,990	-	-	-	44,400	316,390
Cllr P R Mailola	177,983	67,998	26,009	-	44,400	316,390
Cllr M C Mosoma	177,983	67,998	26,009	-	44,400	316,390
Cllr N J Mthombeni	177,983	67,998	26,009	-	44,400	316,390
Cllr M M Skhosana	237,311	-	34,679	-	44,400	316,390
Cllr E Sebesho	177,983	67,998	26,009	-	44,400	316,390
Cllr P Mobango	169,207	67,998	-	34,786	44,400	316,391
Cllr J P Duvenage	177,983	67,998	26,009	-	44,400	316,390
Cllr A Mangcotywa	237,311	-	34,679	-	44,400	316,390
	9,002,761	**1,097,919**	**834,305**	**121,300**	**1,805,530**	**12,861,815**

33. Remuneration of councillors (continued)

Chairpersons	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr R M Xaba	379,870	156,423	54,614	34,786	44,400	670,093
Cllr T R Vilakazi	304,551	-	44,505	-	44,400	393,456
Cllr P M Masilela	286,774	-	41,368	20,913	44,400	393,455
Cllr T N Morufane	304,551	-	44,505	-	44,400	393,456
Cllr M Masina	304,551	-	44,505	-	44,400	393,456
Cllr M Mphego	304,551	-	44,505	-	44,400	393,456
Cllr M J Sekgwele	304,551	-	44,505	-	44,400	393,456
Cllr J M Mitchell	277,968	-	39,259	34,970	44,400	396,597
	2,467,367	**156,423**	**357,766**	**90,669**	**355,200**	**3,427,425**

2020

	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Executive Mayor BJ Tolo	893,850	-	-	-	44,400	938,250
Speaker AM Mabena	445,689	178,770	64,455	26,101	44,400	759,415
Chief whip SD Nkadimeng	413,411	167,597	59,646	29,733	44,400	714,787
	1,752,950	**346,367**	**124,101**	**55,834**	**133,200**	**2,412,452**

Mayoral committee	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr DJ Motsepe	409,537	153,630	77,447	29,773	44,400	714,787
Cllr MI Kgalema	431,062	167,597	62,761	8,967	44,400	714,787
Cllr J Matshiane	419,705	167,597	60,756	22,329	44,400	714,787
Cllr MTE Mnguni	465,436	97,765	77,453	29,733	44,400	714,787
Cllr SM Malepeng	438,684	167,597	64,106	-	44,400	714,787
Cllr NC Mkhuma	413,411	167,597	59,646	29,733	44,400	714,787
	2,577,835	**921,783**	**402,169**	**120,535**	**266,400**	**4,288,722**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Remuneration of councillors (continued)

Part time councillors	Annual remuneration	Travel allowances	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr TP Mnisi	246,804	-	36,065	-	44,400	327,269
Cllr AB Marumo	282,870	-	-	-	44,400	327,270
Cllr CHE Romijn	212,152	70,718	-	-	44,400	327,270
Cllr MN Mathibela	246,804	-	36,066	-	44,400	327,270
Cllr TS Motloung	246,804	-	36,066	-	44,400	327,270
Cllr NM Hadebe	185,103	70,718	27,049	-	44,400	327,270
Cllr DD Klopper	212,152	70,718	-	-	44,400	327,270
Cllr LK Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr E Du Toit	177,391	70,718	34,762	-	44,400	327,271
Cllr JP Pretorius	185,103	70,718	27,049	-	44,400	327,270
Cllr DJ Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr RG Mamogale	230,465	-	33,183	19,222	44,400	327,270
Cllr DL Paul	246,804	-	36,066	-	44,400	327,270
Cllr KPJ Uys	246,804	-	36,066	-	44,400	327,270
Cllr AS Grobler	185,103	70,718	27,049	-	44,400	327,270
Cllr TE Motsepe	246,804	-	36,066	-	44,400	327,270
Cllr PV Malinga	190,300	58,931	33,638	-	44,400	327,269
Cllr J Skosana	282,870	-	-	-	44,400	327,270
Cllr HF Niemann	185,103	70,718	27,049	-	44,400	327,270
Cllr AO Thabatha	246,804	-	36,066	-	44,400	327,270
Cllr SJ Roos	212,152	70,718	-	-	44,400	327,270
Cllr DA Stuurman	282,870	-	-	-	44,400	327,270
Cllr EM Bruiners	282,870	-	-	-	44,400	327,270
Cllr A Struwig	240,439	42,431	-	-	44,400	327,270
Cllr LJN Zondo	223,884	-	32,021	26,965	44,400	327,270
Cllr HG De Klerk	194,858	70,718	-	17,294	44,400	327,270
Cllr TP Motau	185,103	70,718	27,049	-	44,400	327,270
Cllr S Wait	212,152	70,718	-	-	44,400	327,270
Cllr KJ Phasha	246,804	-	36,066	-	44,400	327,270
Cllr AM Mahlangu	246,804	-	36,066	-	44,400	327,270
Cllr J Dyason	212,152	70,718	-	-	44,400	327,270
Cllr SM Mogola	260,541	-	-	22,329	44,400	327,270
Cllr LC Masemula	282,870	-	-	-	44,400	327,270
Cllr PR Mailola	125,928	47,987	17,339	-	30,129	221,383
Cllr MC Mosoma	185,103	70,718	27,049	-	44,400	327,270
Cllr NJ Mthombeni	185,103	70,718	27,049	-	44,400	327,270
Cllr MM Skhosana	246,804	-	36,066	-	44,400	327,270
Cllr E Sebesho	185,103	70,718	27,049	-	44,400	327,270
Cllr P Mobango	175,015	70,718	-	37,138	44,400	327,271
Cllr JP Duvenage	185,103	70,718	27,049	-	44,400	327,270
Cllr A Mangcotywa	246,804	-	36,066	-	44,400	327,270
	9,168,310	**1,351,555**	**863,241**	**122,948**	**1,806,129**	**13,312,183**

33. Remuneration of councillors (continued)

Chairpersons	Annual remuneration	Travel allowance	Pension contributions	Medical aid contributions	Cellphone and other allowances	Total
Cllr RM Xaba	394,248	162,680	56,655	37,138	44,400	695,121
Cllr TR Vilakazi	316,732	-	46,285	-	44,400	407,417
Cllr PM Masilela	297,753	-	42,935	22,329	44,400	407,417
Cllr TN Morufane	316,732	-	46,285	-	44,400	407,417
Cllr M Masina	316,732	-	46,285	-	44,400	407,417
Cllr M Mphego	306,944	-	44,212	13,819	44,400	409,375
Cllr MJ Sekgwele	316,732	-	46,285	-	44,400	407,417
Cllr JM Mitchell	284,995	-	40,684	37,338	44,400	407,417
	2,550,868	**162,680**	**369,626**	**110,624**	**355,200**	**3,548,998**

34. Depreciation and amortisation

	2020	2019
Property, plant and equipment	206,320,971	189,250,240
Intangible assets	1,624,266	1,007,326
	207,945,237	**190,257,566**

35. Impairment of assets

	2020	2019
Impairments		
Property, plant and equipment During the year assets identified which is no longer in use were impaired. These assets remaining service potential and/or future economic benefits are estimated to be R0 or an immaterial amount.	38,821,228	(1,386,416)
Trade and other receivables Accounts receivable with the following indicators were assessed for impairment. Receivable in liquidation/sequestration , last payment received was over 60 days from the reporting date, receivable has been handed over for debt collection, account has been indicated as inactive, bad debt or have an arrangement or the receivable has a balance of 90 day and longer outstanding.	56,971,592	105,706,145
	95,792,820	**104,319,729**

36. Finance costs

	2020	2019
Long term liabilities: annuity loans	30,492,240	17,189,446
Finance leases	1,066,396	615,278
Landfill rehabilitation provision	2,035,678	2,096,584
Long service award liability: actuarial valuation	1,890,750	1,671,328
	35,485,064	**21,572,636**

The interest expenses are calculated using the effective interest rate on borrowings. The interest rate vary between 9% and 10% (2019: 9% to 13%).

37. Bulk purchases

	2020	2019
Electricity - Eskom	499,660,443	434,578,330
Water	5,489,646	21,014,189
	505,150,089	**455,592,519**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Bulk purchases (continued)

Distribution losses

	2020	2019
Electricity	7.84%	10.99%
Water	17.64%	16.80%

Electricity losses

	Units 2020	Units 2019	2020	2019
Units purchased	459,737,290	461,859,568	732,010,755	703,445,393
Units sold	(423,687,700)	(411,099,933)	(681,289,227)	(588,043,549)
Total loss	**36,049,590**	**50,759,635**	**50,721,528**	**115,401,844**

Water losses

	Units 2020	Units 2019	2020	2019
Units pumped	18,337,796	16,813,432	35,922,697	41,913,314
Units sold	(15,103,669)	(13,988,082)	(29,587,227)	(34,870,148)
Total	**3,234,127**	**2,825,350**	**6,335,470**	**7,043,166**

38. Contracted services

	2020	2019
Outsourced services	54,892,867	44,433,633
Consultants and professional services	34,880,845	52,896,696
Contractors	117,848,173	87,452,755
	207,621,885	**184,164,432**

39. Transfers and subsidies paid

Other subsidies

	2020	2019
Tourism centre	450,000	430,000
Bereavement assistance employee	50,000	50,000
Society for the prevention of cruelty for animals (SPCA)	950,000	900,000
Forever resorts marathon	-	50,000
Business linkage centre	150,000	140,000
Rotary, schools and other	139,025	357,847
	1,739,025	**1,927,847**

Figures in Rand	2020	2019

40. Operational costs

Advertising and publicity	6,099,679	6,411,420
Auditors remuneration	5,570,090	6,262,076
Bank charges	1,792,386	3,025,725
Cleaning	27,500	15,760
Commission paid	14,406,860	12,144,536
Entertainment	479,442	395,052
Hire of equipment	469,076	937,140
Insurance	6,141,181	3,929,882
External computer services	5,987,769	5,273,288
Skills development levies	4,180,177	4,517,850
Motor vehicle license and registrations	1,603,012	1,594,534
Water research levy	285,143	392,439
Placement fees	13,000	-
Printing, publications and books	300,592	335,180
Uniform and protective clothing	5,031,908	4,790,595
Subscriptions and membership fees	7,470,195	4,822,809
Communications	9,082,293	7,275,005
Transport and freight	20,100	311,960
Travel and subsistence	1,942,594	2,116,655
Deeds	238,271	377,002
Assets expensed	972,008	13,591,172
Tourism development	1,200	63,322
Registration fees	270,127	265,701
Signage	1,303,465	1,747,690
Bursaries	1,671,918	1,240,699
Learnership and internship	3,155,731	3,251,801
Remuneration to Ward Committees	3,436,180	3,634,885
Workmen's Compensation Fund	2,336,487	2,321,417
	84,288,384	**91,045,595**

41. Auditors' remuneration

Fees	5,570,090	6,262,076

Figures in Rand	2020	2019

42. Cash generated from operations

Deficit	(13,194,463)	(22,133,158)
Adjustments for:		
Depreciation and amortisation	207,376,761	190,257,566
Loss on disposal of assets and liabilities	-	4,716,469
Rehabilitation of landfill sites	2,035,678	2,096,584
Donations	(9,918,314)	-
Impairment	85,853,684	104,319,729
Bad debts written off	11,501,799	8,352,210
Movements in retirement benefit assets and liabilities	1,065,554	12,843,258
Finance lease interest	-	672,471
Inventories losses/writte-downs	44,428	954,490
Provision - long service award	4,039,975	-
Leave provision	13,903,207	5,988,143
Changes in working capital:		
Inventories	(10,335,287)	394,620
Other receivables from exchange transactions	-	(13,748,818)
Receivables from exchange transactions	(106,403,176)	36,651,707
Other receivables from non-exchange transactions	(30,683,390)	-
Receivables from non-exchange transactions	(838,738)	(101,534,131)
Payables from non-exchange transactions	(2,675,719)	59,555,471
Deposits	(98,132)	1,600,888
Payables from exchange transactions	30,916,195	-
VAT	(17,329,448)	(29,754,526)
Unspent conditional grants and receipts	-	(1,993,207)
Consumer deposits	2,252,479	-
Operating lease assets	(641,906)	(1,324,969)
	166,871,187	**257,914,797**

43. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Other receivables from exchange transactions	50,239,813	50,239,813
Receivables from non-exchange transactions	36,908,593	36,908,593
Receivables from exchange transactions	89,217,487	89,217,487
Deposits	2,396,114	2,396,114
Investments	250,000,000	250,000,000
Cash and cash equivalents	320,485,326	320,485,326
	749,247,333	**749,247,333**

Financial liabilities

	At amortised cost	Total
Long term liabilities	496,720,428	496,720,428
Finance lease obligation	7,523,522	7,523,522
Payables from non-exchange transactions	3,948,987	3,948,987
Payables from exchange transactions	283,324,502	283,324,502
Consumer deposits	75,340,105	75,340,105
Long service awards	25,768,000	25,768,000
	892,625,544	**892,625,544**

Figures in Rand	2020	2019

43. Financial instruments disclosure (continued)

2019

Financial assets

	At amortised cost	Total
Long term receivables	2,588,026	2,588,026
Other receivables from exchange transactions	31,058,222	31,058,222
Receivables from non-exchange transactions	36,069,855	36,069,855
Receivables from exchange transactions	29,846,788	29,846,788
Investments	450,000,000	450,000,000
Deposits	2,297,982	2,297,982
Cash and cash equivalents	241,747,407	241,747,407
	793,608,280	**793,608,280**

Financial liabilities

	At amortised cost	Total
Long term liabilities	321,170,717	321,170,717
Finance lease obligation	11,609,517	11,609,517
Payables from exchange transactions	253,396,811	253,396,811
Payables from non-exchange transactions	3,347,093	3,347,093
Deposits	73,081,386	73,081,386
Long service awards	24,226,288	24,226,288
	686,831,812	**686,831,812**

44. Commitments

Authorised capital expenditure

	2020	2019
Already contracted for but not provided for		
• Community assets	39,609,073	6,189,397
• Infrustructure assets	17,203,840	49,463,129
• Machinery and equipment	-	1,942,003
• Other assets	-	860,074
• Transport assets	-	1,353,806
• Computer equipments	-	12,595,160
	56,812,913	**72,403,569**

	2020	2019
Total capital commitments		
Already contracted for but not provided for	56,812,913	72,403,568

Total commitments

	2020	2019
Total commitments		
Authorised capital expenditure	56,812,913	72,403,568

	2020	2019
This expenditure will be financed from:		
Capital replacement reserve	5,755,755	16,751,042
External loans	17,203,840	42,738,158
Government grants	33,853,317	12,914,367
	56,812,912	**72,403,567**

45. Contingencies

1. MP Mahlangu – claim against the municipality for emotional shock caused from the wrongful arrest and assault of his father. The amount is yet to be determined. Matter referred to council's insurance.

2. KJ Mahlangu – claim against the municipality for unlawful arrest, assault, detention and prosecution. Amount is yet to be determined. Matter referred to council's insurance.

3. S Mokwana – claim in the amount of R100 000 against the municipality for wrongful arrest and assault of a third party. Matter referred to council's insurance.

4. MP Mahlangu – claim against the municipality for misallocation of land. Amount is yet to be determined. Matter referred to council's insurance.

5. MM Eyssell – claim against the municipality for damages caused to property as a result of the blasting activity at Shanduka Graspan Colliery. Amount is yet to be determined. Matter referred to council's insurance.

6. Mr CH van Dyk – claim in the amount of R73 376 against the municipality for damages caused to his vehicle after colliding with a vehicle belonging to the municipality. Matter referred to council's insurance.

7. Mr T Ngwenya – claim in the amount of R65 001 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

8. Elusindisweni Primary School – claim against the municipality for damage to property caused by the municipality's vehicle that drove through it. Amount is yet to be determined. Matter referred to council's insurance.

9. Mrs Blignaut – claim in the amount of R14 931 against the municipality for damages caused to third party vehicle after colliding with a pothole. Matter is referred to council's insurance.

10. Mr R Ramothibe – claim against the municipality for damages caused to property by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

11. Mrs S Mzotho – claim against the municipality for damage to electronic appliances caused by a surge in power. Amount is yet to be determined. Matter referred to council's insurance.

12. Telkom Soc Ltd – claim in the amount of R7 591 against the municipality for damage caused to fibre optic cables. Matter referred to council's insurance.

13. Mr A Mathebula – claim against the municipality in the amount of R500 000 against the municipality for being assaulted by traffic officers. Matters referred to council's insurance.

14. Camm Trans – claim against the municipality for loss of income. Amount is yet to be determined. Matter referred to council's insurance.

15. S Sibanyoni – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

16. Ekwazini Secondary School – claim against the municipality for damage to property caused by municipal employees. Amount is yet to be determined. Matter referred to council's insurance.

17. Mr P Maseko – claim in the amount of R1 000 for food that got spoilt as a result of a power outage. Matter referred to council's insurance.

18. Mrs L Skosana – claim against the municipality for damages caused to third party vehicle after colliding with pothole. Amount is yet to be determined. Matter referred to council's insurance.27. Mrs SL Maseko – claim against the municipality for damage to property caused by a water pipe that burst. Amount is yet to be determined. Matter referred to council's insurance.

19. AC Raynard – claim in the amount of R4 788 against the municipality for clearing a manhole that was blocked. Matter referred to council's insurance.

20. Midhend Investment CC – claim in the amount of R15 000 against the municipality for demolition of the third party's structure. Matter referred to council's insurance.

45. Contingencies (continued)

21. KJ Thubane – claim in the amount of R3 343 against the municipality for damages to vehicle after colliding with a rock on the road. Matter referred to council's insurance.

22. Ned Consortium – claim in the amount of R154 389 against the municipality for the illegal termination of a contract. Matter referred to council's insurance.

23. Mr and Mrs Vilane – claim in the amount of R81 754 against the municipality for damages of property caused by a water pipe that burst.

24. Mr and Mrs Letsoalo – claim in the amount of R102 225.91 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

25. SJ Mollentze – claim in the amount of R510 000 against the municipality for injuries sustained after a tree stump fell on her. Matter referred to council's insurance.

26. NS Mahlangu - claim in the amount of R46 500 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

27. ZL Maseko – claim against the municipality for damage to property caused by an electrical pole that fell on her house. Amount is yet to be determined. Matter referred to council's insurance.

28. K Mabhoko – claim in the amount of R200 000 against the municipality for assault by traffic officers. Matter referred to council's insurance.

29. A. N Maseko – this is a claim against the municipality in the amount of R 3 400 for loss of cell phone after falling into a hole.

30. B.J Van Der Merwe – this is a claim against the municipality in the amount of R 980 for damage to vehicle caused by a pothole.

31. B Lummis – this is a claim against the municipality in the amount of R 15 518 for damage to vehicle caused by a pothole.

32. C. Badenhorst – this is a claim against the municipality in the amount of R 200 000 for wrongful arrest.

33. Everest Funerals – this is a claim against the municipality in the amount of R 4 450 for damages to vehicle after colliding with Council's vehicle.

34. S. Simelane – this is a claim against the municipality in the amount of R 11 105 for damage to vehicle after colliding with a pothole.

35. H. Mabuza – this is a claim against the municipality in the amount of R 16 999 for damage to electrical appliances caused by a surge in power

36. J.L Phokane – this is a claim against the municipality for a damaged boundary wall.

37. L Marcus – this is a claim against the municipality for damage to vehicle caused by a pothole.

38. L. Davis – this is a claim against the municipality in the amount of R 3 000 for damages to vehicle caused by a pothole.

39. L. Kriel – this a claim against the municipality in the amount of R 6 790 for damaged gate motor

40. M. Tshoma – this is a claim against the municipality for damage to property caused by a water pipe that burst.

41. Mayivuthe – this is a claim against the municipality in the amount of R 719 322 for a damaged surge arrestor machine.

42. N.S Smit – this is a claim against the municipality for damage to a vehicle by a pothole.

43. N.J Potgieter – this is claim against the municipality in the amount of R 396 500 for assault by traffic officials.

44. P.P Mahlangu – this is a claim against the municipality for damage to property caused by a burst pipe.

45. Contingencies (continued)

45. Middelburg Power Supplies - this is a claim against the municipality in the amount of R 657 540 for unpaid invoices.

46. J. Smit – this is a claim in the amount of R 5 083 against the municipality for damages to vehicle caused by a pothole.

47. Telkom (Wilge Street) – this is a claim in the amount of R 20 810 against the municipality for damages to infrastructure.

48. Telkom (Without Street) – this is a claim in the amount of R 18 360 against the municipality for damages to infrastructure.

49. P. Mjadana – this is a claim in the amount of R 15 620 for damages to vehicle caused by a rock that was left on the road.

50. P.S Vermaak – this is a claim in the amount of R 10 377 for damages to vehicle caused by a pothole.

51. D. Tlou – this is a claim in the amount of R 8 245 for damages to vehicle caused by a pothole.

52. E. Mokwana - this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.

53. M.C Mtsweni - this is a claim against the municipality for damages to electrical appliances. The amount is yet to be determined.

54. S.E Mahlangu - this is a claim against the municipality in the amount of R 16 682 for damages to vehicle caused by a rock that was left on the road.

55. M. Wantenaar – this is a claim against the municipality in the amount of R 3 003 for damages to vehicl

56. Ophrus Phaphedi Makobe - The municipality is been sued for damage to vehicle for the amount of R12440.27.

57. Thabo Joseph Mampuru - This is a claim in the amount R 2 000 000.00 against the municipality for bodily injuries sustained after the floor of a municipal building collapsed. Matter referred to Councils insurers.

58. Telkom - This is a claim in the amount of R 2 503.91 against the municipality for damages caused to Telkom infrastructure as Hans Strydom Street in Dennesig.

59. Telkom - This is a claim in the amount of R 4275.30 against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand.

60. Telkom - This is a claim in the amount of R 3 075.73 against the municipality for damages caused to Telkom infrastructure at Tambo Street in Aerorand. (1577710)

61. LS Incorporated - This is claim against the municipality in the amount of R 50 509.36 for damage to vehicle as a result of a collision with Council vehicle (CWN395MP). Matter referred to Council's insurers.

62. Wouter Grobler - This a claim against the municipality in the amount of R 23 769.50 for damage to vehicle as a result of a collision with the Council vehicle (HPL475MP). Matter referred to Council's insurers.

63. NDB Consulting - This is a claim in the amount of R116 160.96 non-payment and breach of agreement.

64. Lucky Anthony Mbokodo - This is claim in the amount of R250 000.00 against the municipality for unlawful arrest and detention.

65. Leandri Pretorious - This is a claim in the amount of R300 000.00 against the municipality for being sexually assaulted by traffic officers.

66. Nicollas Potgieter - This is a claim against the municipality in the amount of R 569 000 for alleged assult by the municipal workers at the Traffic Department.

67. ERF 2504 Kwazamokuhle Hendrina - This is a claim against the municipality in the amount of R 20 000 wherein the house purchased from the Council was incorrectly allocated to the other person.

45. Contingencies (continued)

68. Johannes Oosthuizen Roux - This a claim against the municipality in the amount of R 50 509 for damages caused by the municipal official during car collision.

69. Johannes Lafras Strydom - This a claim against the municipality in the amount of R 13 143-38 for damages caused by the pothole situated in the municipal road.

70. Clerrance Arthur Holtmann - This is a claim against the municipality in the amount of R 600 000 for alleged assult by the municipal officials at the Traffic Department.

71. Moela Mohwaloba Manual - This a claim against the municipality in the amount of R 200 000 for unlawful arrest by the municipal officials at the Traffic Department.

72. Bigen Africa Services (Pty) Ltd - This a claim against the municipality in the amount of R 724 531-42 for the professional services rendered.

73. Casper Hendrick - This is a claim against the municipality in the amount of R 200 000 for unlawful arrest by the municipal officials at the Traffic Department.

74. Mofokeng Matitchi - This a claim against the municipality in the amount of R 2 880 000 for injuries caused by a gun shot from the officials acting on behalf of the municipality.

75. Freddy Andrews - This is a claim against the municipality in the amount of R 4 149 for damages caused to his vehicle by pothole situated in a municipal road.

76. M Mthimunye - This is claim against the municuipality for damages caused to the property by a municipal water pipe burst. The quantum of the claim is still to be determined.

77. Mrs BK Mabuza – claim in the amount of R9 400 against the municipality for damage to property caused by a water pipe that burst. Matter referred to council's insurance.

Contingent assets

Contingent assets to the amount of R2 273 149 (2018) R2 182 711 was implemented by the Nkangala District Municipality. These assets will be transfer to the municpality on completion date. The assets are:
1) Somaphepha Road R945,007
2) Tokologo (Ezinyokeni) Road R1,328,072

46. Related parties

Relationships	
Councillors	Refer to note 33
Key management	Refer to note 32

47. Prior-year adjustments

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

Statement of financial position

47. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Inventories	3	50,672,969	(498,368)	-	50,174,601
Long term receivables	4	1,023	-	(1,023)	-
Operating lease assets	5	2,957,805	(102,453)	-	2,855,352
Other receivables from exchange transactions		33,668,282	(23,057)	(2,587,003)	31,058,222
Receivables from non-exchange transactions	7	36,069,855	-	-	36,069,855
Vat receivable	9	75,921,640	(5,170,948)	-	70,750,692
Receivables from exchange transactions	8	29,823,732	23,056	-	29,846,788
Property , Plant and Equipment	14	6,647,250,176	(135,346,577)	-	6,511,903,599
Intangible assets	15	9,365,625	540,563	-	9,906,188
Long term receivables	4	-	-	2,588,026	2,588,026
Finance lease liabilities		(11,609,516)	(383,868)	-	(11,993,385)
Current portion of long term liabilities	16	(9,346,098)	-	(9,168,187)	(18,514,285)
Payables from exchange transactions	18	(253,681,812)	1,273,506	-	(252,408,306)
Long term liabilities	16	(311,824,619)	-	9,168,187	(302,656,430)
Accumulated surplus		(6,790,726,861)	139,688,146	-	(6,651,038,716)
		(491,457,799)	**-**	**-**	**(491,457,799)**

Statement of financial performance

2019

	Note	As previously reported	Correction of error	Restated
Service charges	25	(797,828,333)	(23,314,101)	(821,142,434)
Rental of facilities and equipment		(17,208,937)	102,453	(17,106,484)
Operating income	27	(38,392,442)	(2,708,302)	(41,100,744)
Property rates revenue		(358,277,418)	(8,709,053)	(366,986,471)
Rentals		260,170	383,868	644,038
Depreciation and amortisation		195,010,674	(4,753,108)	190,257,566
Impairment of assets		28,589,450	75,730,279	104,319,729
Bad debts written off		8,264,210	88,000	8,352,210
Contracted services		186,241,163	(1,458,079)	184,783,084
Inventory losses/write-downs		847,234	107,256	954,490
Operational costs		77,955,553	13,090,042	91,045,595
Inventory consumed		46,747,326	319,238	47,066,564
Surplus for the year		26,745,335	(48,878,493)	(22,133,158)
Surplus for the years		**(641,046,015)**	**-**	**(641,046,015)**

Errors

The following prior period errors adjustments occurred:

47. Prior-year adjustments (continued)

Corrections of service charge revenue

From 2018/2019 financial year certain items on service charges were not correctly billed resulting in understatement of revenue and related Vat output and understatement of Trade and other Receivables. Following the data cleansing performed on the billing system the following errors was noted and corrected :

- In 2019 financial year Receivables from non-exchange transactions(Property Rates) was understated by R 20 167 388, Receivables from exchange transactions (Waste management) by R 31 785 331, (Waste Water Management) by R 25 646 677 and Revenue from non-exchange transactions(Property Rates) understated by R 8 709 052, Revenue from exchange transactions(Refuse Removal) understated by R 14 267 720, (Sewerage and sanitation charges) understated by 11 455 533 with the VAT output being understated by R 7 381 660.
- Furthermore the above receivables were assessed for impairement and total amounts raised impaired on Waste Management by R 31 785 331, Waste Water Management by R 25 646 678 and receivables from non-exchange by R 20 167 388 as the receivables were considered to be irrecoverable. The restatement resulted with an increase in impairment of assets -Trade and other receivables by R 77 599 397.

Correction of prepaid electricity revenue

In the prior year error occured in calculation of the amount received in advance on the prepaid electricty meter sales. The error resulted with the understatement of payables from exchange transactions on the amount received in advance on sale of prepaid electricity by R 2 409 153 and the overstatement of service charges on sale of electricity by the same amount.

Correction of operating income revenue

In 2019 financial year revenue relating to the sale of land in the prior periods was recognised on the accumulated surplus account following the finalisation of transfer of the title to the buyer by deeds office. The impact of the correction resulted with the decrease in debtors with credit balance by R 285 0000, increase in sale of erven by R 250 000.00 and increase in vat output by R 35 000.00 in the 2018/2019 financial year.

In 2019 financial year Land erroneously removed from the records was sold resulting with the understatement of Land by R 550 732 and revenue from sale of erven by the same amount.

In 2019 financial year accrued expenses that were incorrectly raised was reversed resulting in recognition of revenue to the amount of R 1 907 570 and decrease in trade payables by the same amount.

Correction of rental of facilities and equipment revenue

In prior year the straighlining of some of the operating lease contracts was incorrectly calculated resulting with the overstatement of revenue from rental of facilities and equipments by R 102 453.00 and the operating lease assets with the same amount.

Bad debts writte off incorrectly credited to liability account

In 2019 financial year certain debtors accounts were written off against the liability account resulting with the understatement of the bad debts written off by R 88 000.00 and overstatement of trade payables by the same amount.

47. Prior-year adjustments (continued)

Payables from exchange transactions writte back and correction of the relevant expenditure accounts

In 2019 financial year certain items of trade payables was restated resulting with the decrease in trade payables by R 1 249 385 and decrease in Contracted Services by R 1 458 079 (Consultants and Professional Service by R 387 264, Contractors by R 757 596 and Outsourced Services R 313 219) , Inventory Consumed increased by R 319 238 and Operational Costs decreased by R 110 544.

In the prior year error occured in the calculation of the amount received in advance on the prepaid electricty meter sales. The error resulted with the understatement of payables from exchange transactions on the amount received in advance on sale of prepaid electricity by R 2 409 153 and the overstatement of service charges on sale of electricity by the same amount in the financial year ending 30 June 2019.

Inventory writte down incorrectly credited to liability

In 2019 financial year the inventory writte down was incorrectly credited to trade payables resulting with the understatement of inventory writte down and overstatement of the trade payables by R 107 255.70

Correction of assets expensed

In prior financial year some assets were erroneously expensed and others capitalised into the books. The impact of the error resulted with the understatement of assets expensed by R 13 200 586 and overstatement of Property, Plant and Equipment by the same amount as follows:

- VIP toilets overstated by R 3 205 838 and the assets expensed understated by the same amount.t
- Land to the value of R 19 872 was overstated and the assets expensed understated by the same amount.
- Land sold and not removed from the register overstated by R 498 368 and assets expensed understated by the same amount.
- Assets erroneously capitalised overstated by R 9 550 280 and assets expensed understated by the same amount.
- Certain buildings were not capitalised resulting with the cost of Municipal offices within buildings being understated by R 58 500 and assets expensed overstated by the same amount.

Vat claimable not accounted for

Comprehensive review of the input tax deductions was conducted for 2016/2017 financial year and the findings reflected that the municipality did not record and submit to SARS the claimable VAT resulting with the understatement of VAT receivable by R 2 245 750 and the accumulated surplus by the same amount. In the previous financial year VAT was incorrectly levied on the sale of Erven resulting with the overstatement of VAT output by R 354 456 and the accrued expenses by the same amount.

Assets class change

There have been reclassifications between various classes of assets. The impact of this is as follows:

Community Assets: R2,528,979.60 has been removed from the cost of Community assets

Infrastructure assets: R24,903,607.72 has been classified into the cost of Infrastructure assets

Land: R24,661,398.67 has been removed from Land cost.

Buildings: R1,983,982.60 has been removed from the cost of buildings

Other Assets: R3,985,849.46 has been moved into the cost of Other Assets

The impact on opening accumulated surplus on 1 July 2018 is a reduction of R284,903.69

Accumulated Depreciation at 1 July 2018 Infrastructure: R100.11 has been removed from Infrastructure Assets.

47. Prior-year adjustments (continued)

Accumulated Depreciation at 1 July 2018 Community assets: R505,630.71 has been removed from Community Assets

Accumulated Depreciation 1 July 2018 Other Assets: R1,369,177.74 has been moved to Other Assets.

Accumulated Depreciation 1 July 2018 Buildings: R863,447.38 has been removed from Buildings

Depreciation 2019 Infrastructure: R314.99 has been removed from Infrastructure assets

Depreciation 2019 Community Assets: R147,026.66 has been removed from Community Assets.

Depreciation 2019 Other Assets: R256,336.23 has been moved to Other assets

Depreciation 2019 Buildings: R108,994.58 has been removed from Buildings

Assets incorrectly capitalised

In the 2019 financial year certain assets were incorrectly capitalised and should have been expensed. This resulted in an overstatement of Land by R 1 875 706 , Infrustructure Assets by R 2 072 898, Community Assets by R 2 099 480 and Buildings by R 138 452.

Depreciated replacement cost Electricity Assets

In the prior years the municipality did not recognise certain Infrastructure assets relating to electricity in the asset register. A depreciated replacement cost was calculated for these assets and it was recognised as a prior period error. The impact of this adjustment is as follows:

The cost of the electricity assets within Infrastructure of R14,574,211.64 was recognised at 1 July 2018. The related accumulated depreciation of R5,558,901.62 was also recognised at the same date. The depreciation that was recognised in the 2019 financial year is R513,020.11. This resulted in accumulated depreciation been recognised of R6,071,921.73 at 30 June 2019.

Incorrect allocation of infrustructure assets

In the prior year certain infrastructure projects were incorrectly allocated to other assets. This resulted in Other assets been overstated on cost by R3,527,975 and Infrastructure assets been understated by the same amount. The impact also resulted in an increase of depreciation in the 2019 year for Infrastructure of R400,653.77

Costs relating to an infrustructure project has not been capitalised

In 2019 financial year certain costs relating to an infrastructure project were not capitalised to the project. This resulted in an understatement of costs to infrastructure of R2,604,319.30 and the related payable was also understated by the same amount.

Infrastructure projects not depreciated

In the 2019 financial year certain infrastructure projects were completed however the depreciation had not commenced. This resulted in an understatement of depreciation of R881,706.79 as well as an understatement of accumulated depreciation of infrastructure assets of the same amount.

Infrustructure assets not capitalised in prior years

Certain infrastructure assets were not capitalised in prior years. The impact of this is as follows:

Cost of MV Substations within Infrastructure assets and accumulated surpluses were understated by R144,804.38 as at 1 July 2018.

47. Prior-year adjustments (continued)

Reclassification from WIP to finished projects

In the 2019 financial statements submitted a reconciliation of Work-in progress was performed. However, it was noted that some items of work in progress were completed by 30 June 2019 and was incorrectly still recorded as Work in progress in the financial statements for the 2019 financial year. The correction resulted in the following restatements in note 14.

The opening balance of Work in progress included within Infrastructure reduced by R6,004,202.36.

The opening balance of Work in progress within Community reduced by R700,000.

The opening balance of Work in progress within Other PPE reduced by R3,163,228

This resulted in a total reduction of the opening balance of Work-in progress of R9,867,430.36 for 2019.

The additions/capital expenditure of work in progress within Infrastructure reduced by R1,135,343.58.

The additions/capital expenditure of work in progress within Community reduced by R2,099,480.

The additions/capital expenditure of work in progress within Other PPE increased by R58,500.

This resulted in a total reduction of the additions/capital expenditure to Work-in progress of R3,176,323.58 for 2019.

The transfers completed to work in progress within Infrastructure increased by R62,869,894 and by R3,945,417 within Other PPE. This resulted in a total increase to transferred to completed projects of R66,815,311 for 2019.

This resulted in a overall reduction of Work-in progress of R79,859,064.94 at 30 June 2019.

Land erroneously recorded as donation

In the prior year Land was sold which was erroneously removed from the records resulting with the understatement of Land by R 550 732 and revenue by the same amount.

Land sold and not removed from the register

In the prior year Land was sold and erroneously not removed from the asset register resulting with the overstatement of Land inventory by R 498 368 and and Property Plant and Equipment by the same amount.

Duplication of land within Road Reserves and Land

In the prior periods land was duplicated within Roads as well as Land. The impact of this is as follows:

Overstatement of Roads within Infrastructure cost at 1 July 2018: R124,690,078.20

Overstatement of Land costs at 1 July 2018: R571,202

Overstatement of Accumulated Surplus at 1 July 2018: R125,261,280.20

Fully Depreciated assets still in use

During the year it was noted that the municipality has fully depreciated assets still in use in the fixed asset register. The cost of these items was R 91,433,951. The municipality to not correctly assess the useful lives of these assets in prior periods. The municipality then performed a retrospective adjustment on the prior year depreciation to correct the useful lives in the prior periods so that these assets have a carrying value at year-end.

47. Prior-year adjustments (continued)

The impact of this correction is as follows

The accumulated surplus at 1 July 2018 was understated by R25,049,542 and accumulated depreciation at the same date overstated by the same amount. The prior year depreciation was overstated by R3,291,138.

Overstatement of Depreciation on Land within Infrastructure

In the prior year certain land parcels road within Infrastructure were incorrectly depreciated. The related accumulated depreciation included within Land as part of Infrastructure assets was overstated by R271,845 as at 30 June 2019. The depreciation for the 2019 year for this land was overstated by R59,809. The opening accumulated surplus was understated at 1 July 2018 and related accumulated depreciation at the same date was overstated by R212,036.

Depreciation on Land parcel that was included as part of Water and Electricity assets within Infrastructure

In the prior years certain Land parcels that were included within Infrastructure assets were erroneously depreciated. The impact of this error is that the accumulated depreciation was overstated and accumulated surplus was understated by R3,208,809.10 as at 1 July 2018. Depreciation was overstated and accumulated depreciation overstated by R63,562.03 in the 2019 year.

DRC electricity

In the prior years the municipality did not recognise certain Infrastructure assets relating to electricity in the asset register. A depreciated replacement cost was calculated for these assets and it was recognised as a prior period error. The impact of this adjustment is as follows:

The cost of the electricity assets within Infrastructure of R14,574,211.64 was recognised at 1 July 2018. The related accumulated depreciation of R5,558,901.62 was also recognised at the same date. The depreciation that was recognised in the 2019 financial year is R513,020.11. This resulted in accumulated depreciation been recognised of R6,071,921.73 at 30 June 2019.

Error removals

.In the prior year we noted that various assets were incorrectly included in the asset register due to these items been duplicated, or they did not exist or they were privately owned. The impact of this error was as follows:

The following assets costs were overstated as follows: Assets costs were overstated by R53,959430.42 as at 1 July 2018. The accumulated depreciation was overstated by R16,123,464.97 as at 1 July 2018. Depreciation for the 2019 financial year was overstated by R1,240,065.40 The impairment for the 2019 year was overstatement by R1,869,121.18

Reclassification (Consumer debtors)

In 2018/2019 financial year an amount of R 2 587 003 relating to the consumer debtors arrangements was erroneously classified as current receivables on the statement of financial position. The correction results with the increase in the long term receivables and decrease in other debtors by the amount of R 2 587 003.

In prior year long term receivable classified as current asset with a value of R 1023, and is now reclassified as a non-current asset. An amount of R 23 056 was reclassified from Other receivables from exchange transactions to Receivables from exchange transactions.

Reclassification (Employee related cost)

In 2018/2019 financial year classes of employee related costs were erroneously disclosed as salaries paid to the municipal staff resulting with the overstatement of the salaries by R 30 084 479 and understatement of Bonuses by R 22 593 284 , Unemployment Insurance Fund by R 13 226 , Pension Fund Contributions R 357 798, Housing benefits and allowances by R 17 172, Group Insurance by R 17 426, Cellphone Allowance by R 4 028, Medical aid contributions by R 221 344 , Overtime and standby allowances by R 1 018 856, Travel and motor vehicle allowances by R 40 882 and Acting and scarcity allowance by R 5 869 145.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

47. Prior-year adjustments (continued)

Reclassification (Liabilities)

In 2018/2019 financial year the short term portion of the INCA loan was not correctly classified resulting with the understatement of the short term portion and overstatement of the long term portion of the loan by R 9 168 188. The correction of the mistatement results with the increase of the short term portion and decrease of the long term portion of the loan by R 9 168 188 in the 2018/2019 financial year.

Reclassification (Accrued expenses)

In prior financial year , accruals amounting to R 123 438 601.00 was reclassified from trade payables to Accrued Expenses in order to enhance the fair presentation of trade payables.

Correction of finance lease liability and rental expenses

In 2019 financial year the closing balance of the finance lease liability was understated by R 383 868 and the rental expenses in the statement of financial performance understated by the same amount.

Commitments ommited in prior year

In 2019 financial year a commitment relating to the construction of the infrustructure project was erroneously not included in the commitment disclosure resulting with the understatement of commitments in the disclousure note by R 3 594 371.

48. Risk management

Financial risk management

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

Liquidity risk

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

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

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	28,553,623	57,107,246	85,660,869	296,845,067
Payables from exchange transactions	180,341,852	2,691,670	86,133,422	21,353,209
Payables from non-exchange transactions	268,550	46,996	67,137	288,691

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Long term liabilities	18,517,051	34,892,751	46,309,900	221,529,381
Payables from exchange transactions	159,225,354	2,376,498	76,047,930	-
Payables from non-exchange transactions	1,338,837	234,297	334,709	1,104,541

48. Risk management (continued)

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

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

Financial instrument	2020	2019 Restated
Long term receivables	5,240,108	2,588,026
Other receivables from exchange transactions	50,239,813	31,058,222
Receivables from non-exchange transactions	66,232,713	56,237,244
Receivables from exchange transactions	165,354,608	87,278,798
Investments	250,000,000	450,000,000
Deposits	2,396,114	2,297,982
Cash and cash equivalents	320,485,326	241,747,407

Covid-19 Impact

The improvement of liquidity, utilizing various measures in the form of scenario, over time was used to determine the impact of the pandemic before reporting period and future assumption measures to improve.

From the evident that the initial and short-term impact of Covid-19 is much better absorbed by the combination of the operational and capital expenditure savings, although the longer term financial sustainability is much stronger under the operational expenditure savings scenario, due to the improved profitability and cash generation that results from the collection rate.

Circumstances of various scenarios the municipality will have very little flexibility to introduce relief measures for its customers, without significantly deteriorating its liquidity position. This can only be achieved where the operational expenditure savings scenario is successfully implemented to its full extent and, in addition, the capital programme is reduced.

Illustrative example:

If the municipality were to offer a 3-month holiday on rates on Commercial and Residential properties in 2020/21, the capital programme of 2020/21 and 2021/22 should be reduced by at least a total of R60 million.

Remedial measures

The negative impact of the pandemic on the financial performance of the municipality, especially the rapidly declining liquidity, requires a suite of remedial measures to be implemented.

The objective in all instances is to improve liquidity such that the bank balance reaches at least the level of the minimum required liquidity by 2029 the following cases where performed to evaluate the impact.

Best Case Scenario

The objective may be reached by implementing the following actions:

• A permanent saving of approximately R143 million (2.4%) in operating expenses over the next three years (2020/21 to 2022/23). This can be achieved, for example, by freezing the 2020/2021 employee related expenditure budget (to equate to the 2019/2020 budget or lower), and thereafter increasing this expense item in line with CPI for the next two years (2021/22 and 2022/23); the objective is to assist municipality in preparation of the adjustment budget and for a proper MTRF plan for 2021/22.

48. Risk management (continued)

• Reducing operating expenditure by R42 million (+/-2.1%) in each of the following three years (2020/21 to 2022/23), typically through savings on Contracted Services, Repairs and Maintenance or Other Expenditure not forgetting the aging infrastructure the municipality is faced with.

• Reducing the cash funded capital expenditure by R100 million (25.3%) in 2020/21 and by a further R100 million (24.3%) in 2021/22.

Worst Case Scenario 2

To counter the effect of a Worst Case scenario, the municipality must be prepared to implement strict austerity measures to improve the revenue collection.

Some measures that the municipality may intent to used are the following:

• A permanent saving of approximately R143 million (2.4%) in operating expenses over the next three years (2020/21 to 2022/23). This can be achieved, for example, by freezing the 2020/2021 employee related expenditure budget (to equate to the 2019/2020 budget or lower), and thereafter increasing this expense item in line with CPI for the next two years (2021/22 and 2022/23);

• Operating expenditure must be reduced by a further R90 million (+/-4.5%) in each of the following three years (2020/21, 2021/22 and 2022/23), typically through savings on Contracted Services, Repairs and Maintenance or Other Expenditure.

In this scenario the municipality will not be able to offer significant relief (e.g. rates holidays) to its customers, without compromising its liquidity considerably, unless cash funded capital expenditure savings can be realized over the next two years to address the sharp decline in liquidity.

For illustrative purposes, if the municipality were to offer a 3-month holiday on rates on Commercial and Residential properties in 2020/21 and the operational expenditure savings scenario is successfully implemented, the capital programme of 2020/21 and 2021/22 should, in addition, be reduced by a total of R60 million, to avoid cash deterioration.

49. Going concern

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

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

Figures in Rand	2020	2019

50. Unauthorised expenditure

Opening balance as previously reported	31,375,387	26,033,434
Opening balance as restated	**31,375,387**	**26,033,434**
Panning and Development (CAPEX)	-	1,296,921
Executive and Council	31,013,629	25,741,015
Roads transport	723,662	-
Traiding services : Electricity	13,247,720	-
Traiding services : Waste management	-	599,264
Traiding services : Water management	11,259,125	-
Public Safety	-	668,810
Sport and Recreation	-	206,885
Authorised by Council	(31,375,387)	(23,170,942)
Closing balance	**56,244,136**	**31,375,387**

Executive and Council : Over expenditure is due to leave provision and impairment on receivables and assets.

Roads Transport : Over expenditure on interest on borrowings , however the total overall expenditure on borrowings is not overspent but in the function.

Traiding services : Electricity : The overspending is due to reduction of budget during the June special adjustment , which did not cover the invoice that was subsequently received after the adjustment and also the debt impairment.

Traiding services : Water management : The over spending is due to debt and asset impairment.

51. Fruitless and wasteful expenditure

Opening balance as previously reported	56,422	880
Additions	-	68,982
Opening balance as restated	**56,422**	**69,862**
Less: Amounts recovered	(17,500)	-
Less: Amount written off - current	-	(13,440)
Closing balance	**38,922**	**56,422**

The R38 922 was for the interest charged on Eskom account for the late payment. The R 38 041.99 was paid by the municipality to Eskom and still awaiting for the finalisation of the investigation.

52. Irregular expenditure

Opening balance as previously reported	3,991,037	5,907,132
Add: Irregular expenditure - current year	2,085,990	22,545,342
Opening balance as restated	**6,077,027**	**28,452,474**
Less: Expenditure written off	(5,588,127)	(24,461,437)
Closing balance	**488,900**	**3,991,037**

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

	Disciplinary /Criminal proceedings	
Advert for less than the prescribed period		2,085,990

Amounts written-off

The Municipal Public Accounts Committee investigated the above irregular expenditures. An attorney was appointed to investigate and make recommendations. It was found that although the deviations did not comply with the supply chain management policy, they acted in good faith and value for money was received. It was therefore recommended to Council to writte off the expenditure.

Figures in Rand	2020	2019

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	7,389,272	4,746,400
Amount paid - current year	(7,389,272)	(4,746,400)
	-	-

Audit fees

Current year subscription / fee	5,570,090	6,262,076
Amount paid - current year	(5,570,090)	(6,262,076)
	-	-

PAYE and UIF

Current year payroll deductions (PAYE)	84,603,513	73,663,431
Current year payroll deductions (UIF)	5,400,910	5,189,230
Amount paid - current year (PAYE)	(84,603,513)	(73,663,431)
Amount paid - current year (UIF)	(5,400,910)	(5,189,230)
	-	-

Pension and medical aid deductions

Current year payroll deductions (Medical aid)	53,345,779	46,914,177
Current year payroll deductions (Pension Fund)	88,662,889	79,690,530
Amount paid - current year (Medical aid)	(53,345,779)	(46,914,177)
Amount paid - current year (Pension fund	(88,662,889)	(79,690,530)
	-	-

VAT

VAT receivable	88,080,140	70,750,692

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020 and 30 June 2019.

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Skosana J	198	756	954
Mahlangu LK	1,408	4,572	5,980
Masemula CP & NW	3,605	1,916	5,521
Mokoke L & Motau HK	2,257	1,129	3,386
	7,468	**8,373**	**15,841**

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Mahlangu LK	-	2,206	2,206
Skosana J	-	440	440
Vilakazi TR	1,684	-	1,684
Motau HK & TP	2,462	-	2,462
Motsepe DJ	808	-	808
Duvenage JP (Duwenage M.S)	-	51,846	51,846
Mthombeni JN (Mogakwa JJ)	573	-	573
Sebesho E	814	-	814
	6,341	**54,492**	**60,833**

Supply chain management regulations

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

Paragraph 45(a),(b) &(c) of Government Gazette No. 27636 issued on 30 May 2005 states that the notes to the annual financial statements of a municipality or municipal entity must disclose particulars of any award of more than R2 000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months.

Incident	2020	2019
Upgrading of electricity services	-	27,000

54. Deviation from supply chain management regulations

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

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

Class	2020	2019
Emergency	3,156,322	17,580
Sole supplier	182,547	792,637
Impractical or impossible to follow normal process	50,363	443,473
	3,389,232	**1,253,690**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

55. In-kind donations and assistance

Nkangala District Municipality		
Disaster management campaign	-	41,379
HIV/AIDS campaign	101,405	110,811
MHS educations and awareness	42,156	55,902
SCM/Debtors verification system	456,000	456,000
Land survey	-	594,000
Moral Regeneration Steve Tshwete	-	175,395
Community Outreach Meetings Steve Tshwete	-	339,065
	599,561	**1,772,552**

56. Revenue

Rendering of services	9,593,919	7,987,728
Service charges	933,361,539	821,142,434
Rental of facilities and equipment	17,754,826	17,106,484
Interest received (trading)	3,197,403	2,505,559
Agency services	25,791,907	26,090,102
Licences and permits	5,512,877	8,537,163
Other income - (rollup)	44,394,042	41,100,744
Interest received - investment	43,461,474	51,871,021
Property rates	401,926,718	366,986,471
Interest, Dividends and Rent on Land	3,033,633	2,351,151
Government grants & subsidies	297,660,356	264,615,609
Public contributions and donations	9,918,314	20,664,251
Fines, Penalties and Forfeits	17,820,260	16,819,049
	1,813,427,268	**1,647,777,766**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	933,361,539	821,142,434
Rendering of services	9,593,919	7,987,728
Rental of facilities and equipment	17,754,826	17,106,484
Interest received (trading)	3,197,403	2,505,559
Agency services	25,791,907	26,090,102
Licences and permits	5,512,877	8,537,163
Other income - (rollup)	44,394,042	41,100,744
Interest received - investment	43,461,474	51,871,021
	1,083,067,987	**976,341,235**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	401,926,718	366,986,471
Interest, Dividends and Rent on Land	3,033,633	2,351,151
Transfer revenue		
Government grants & subsidies	297,660,356	264,615,609
Public contributions and donations	9,918,314	20,664,251
Fines, Penalties and Forfeits	17,820,260	16,819,049
	730,359,281	**671,436,531**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

57. Fines, Penalties and Forfeits

Traffic fines	17,820,260	16,816,049
Other fines	-	3,000
	17,820,260	**16,819,049**

58. Lease rentals on operating lease

Plant and equipment		
Contractual amounts	206,286	186,651
Lease rentals on operating lease - Other		
Contractual amounts	187,611	457,387
	393,897	**644,038**