ELIAS MOTSOALEDI LOCAL MUNICIPALITY

(Registration number LIM 472)

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

Office of the Auditor General (Polokwane) - Auditors

General Information

Nature of business and principal activities	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

Councillors List

Mayor	Cllr JL Mathebe
Chief Whip	Cllr TM Phahlamohlaka (Chief Whip)
Speaker	Cllr MD Tladi
Councillors	

Cllr JL Mathebe (Mayor)
Cllr TM Phahlamohlaka (Chief Whip)
Cllr MD Tladi (Speaker)
Cllr A Phatlane (Exco Member)
Cllr AM Maloba (Exco Member)
Cllr GD Matjomane (Exco Member)
Cllr JP Kotze (Exco Member)
Cllr KC Shai (Exco Member)
Cllr MG Phetla (Exco Member)
Cllr MS Mashilo (Exco Member)
Cllr TA Machipa (Exco Member)
Cllr TN Mmutle (Exco Member)
Cllr AM Makweoane
Cllr B Bogopa
Cllr BM Zulu
Cllr CN Mathebe
Cllr EM Maphopha
Cllr FM Mogotji
Cllr GM Makeke
Cllr GR Namane
Cllr HJ Makunyane
Cllr J Mahlangu
Cllr KF Madisa
Cllr KS Kgopa
Cllr LM Moima
Cllr M Ranala
Cllr MA Mphela
Cllr MB Ntuli
Cllr MG Motlafe
Cllr MK Mokwane
Cllr ML Mamakoko
Cllr ML Phala
Cllr MM Matsepe
Cllr MN Malatji
Cllr MP Tshivhula
Cllr MR Msiza
Cllr MT Mohlala
Cllr MT Mosotho
Cllr MW Ramphisa
Cllr MZ Hlathi
Cllr NN Mahlangu
Cllr NT Matunyane
Cllr P Masimula
Cllr R Alberts
Cllr RJ Makitla
Cllr RM Ratau
Cllr RN Ndlovu
Cllr SH Mehlape

General Information

	Cllr SM Maipushe Cllr SW Ratlou Cllr TA Phorotlhoe Cllr TM Mokganyetji Cllr TM Ntheko Cllr TS Matsepe Cllr TT Ratau Cllr VL Mthombeni Cllr VM Lecheko Cllr VP Madondo Cllr WJ Skhosana Cllr WN Oosthuizen Cllr Z Ngwenya
Accounting Officer	Mrs RM Maredi
Business address	2nd Grobler Avenue - Civic Centre Groblersdal 0470
Postal address	PO Box 48 Groblersdal 0470
Bankers	Nedbank
Auditors	Office of the Auditor General (Polokwane)
Grading of the Municipality	Grade 3

Index

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

Abbreviations

GRAP	Generally Recognised Accounting Practice
PAYE	Pay As You Earn
IAS	International Accounting Standards
INEP	Integrated National Electrification Programme
EPWP	Expanded Public works programme
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart Of Accounts
FMG	Finance Management Grant
MSIG	Municipal Systems Improvement Grants

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

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

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

The annual financial statements set out on pages 9 to 84, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

Mr M M Kgwale (Acting)
Acting Accounting Officer

31 August 2019

Audit Committee Report

We are pleased to present our report for the year ended 30 June 2019.

Audit committee members and attendance

The Audit Committee of the Municipality was established in terms of Section 166 of the Municipal Finance Management Act, Act 56 of 2003. The Audit Committee comprised of Five (05) members appointed for the period of three (03) years with effect from January 2016 to December 2018. The term of the Four (4) Audit Committee members is extended during the financial year 2018/2019 under council resolution M18/19-04 from 04 January 2019 to end on 03 January 2021. The vacant post of one (01) member Mr. M.G Mathabathe whose term was not extended due to that they had served in the Audit Committee consecutively for six years was re-advertised. The Audit Committee reported to council on their activities and recommendations as required by the Audit Committee Charter and section 166 of the MFMA. For the year under review, Four (4) ordinary and Six (06) special audit committee meetings were held.

The Audit Committee consists of the members listed hereunder.

Audit Committee members	Number of meetings attended
Mrs M.P Ramutsheli (Chairperson)	4 Normal - 6 Special - 10 Total
Mr V.K Chuene	4 Normal - 5 Special - 9 Total
Mr M.O Mojapelo	3 Normal - 6 Special - 9 Total
Adv M.M Thipe	4 Normal - 2 Special - 6 Total
Mr M.G Mathabathe	2 Normal - 4 Special - 6 Total

Audit Committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee charter.

It has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The content and the quality of the yearly management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act have been reviewed by the Audit Committee.

The internal control environment was partially effective.

The Audit Committee is satisfied with Management's action to address deficiencies identified.

Evaluation of annual financial statements

The Audit Committee has:

- reviewed and discussed the unaudited 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
- reviewed the municipality's compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.
- reviewed the performance of the institution.

The Audit Committee concur with and accept the Auditor-General of South Africa's report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Audit Committee Report

Internal audit

The audit committee engaged and supported management team during the review of performance manangement information.

The municipality’s Operating, Compliance, Performance and Risk Management controls are assessed by the internal audit function which is overseen by Audit Commmittee.

For the year under review the Internal Audit performed their responsibility in terms of the approved internal audit plan and reported their findings on regular basis to the Audit Committee and management for implementation.

In the quest for maintaining a sound control environment, the Audit Committee continues to build the necessary capacity within the municipality.

Risk management

Every year the Council reviews the critical strategic risks facing the municipality and approves the municipality’s risk approach.

The identification and assessment of those risks are informed amongst other things, by and understanding of our operational model including trends and interests of relevant stakeholders. The Audit Committee has overseen the process of developing risk strategy, risk register including mitigating factors for consideration by council.

The risk assessment was conducted quarterly during the year under review. The municipality had a full time Chief Risk Officer during the financial year.

Auditor-General of South Africa

The Audit Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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Chairperson of the Audit Committee : Mrs M.P Ramutsheli

Date: ______________________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is engaged in local governance activities, which includes planning and promotion of integrated development planning, land, economic and environmental development and delivery of municipal services to the community.

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and fully elaborated in the Statement of Comparison of Budget and Actual Amounts.

Net surplus of the municipality was R 44 712 409 (2018: surplus R 13 601 904).

2. Going concern

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

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial period which resulted in an adjusting subsequent event, or requiring further disclosure.

4. Accounting Officer's interest in contracts

The Accounting Officers does not have any interest in contracts of the Municipality.

5. Accounting policies

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

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the year are set out in the notes to the financial statements.

7. Accounting Officer

The Accounting Officer of the municipality during the financial year and to the date of this report is :

Name	Nationality	Changes
Mr M M Kgwale (Acting)	South African	Appointed 06 December 2018

8. Corporate governance

General

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

Accounting Officer's Report

Councillors

The councillors:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee councillors, and
  - Councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The Council and mayor performs their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

The Audit Committee met during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee.

Internal audit

The municipality had four full time internal auditors for the year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

9. Bankers

The municipality banks primarily with Nedbank.

10. Auditors

The Office of the Auditor General (Polokwane) will continue in office for the next financial period.

Statement of Financial Position

Figures in Rand	Note(s)	2019	2018 Restated
Assets			
Current Assets			
Inventories	9	6 244 690	3 328 341
Receivables from exchange transactions	10	3 778 273	1 057 144
Receivables from non-exchange transactions	11	32 306 320	18 136 258
VAT receivable	12	10 703 965	11 673 080
Consumer debtors	13	33 808 347	24 952 612
Cash and cash equivalents	14	24 176 627	6 224 745
		111 018 222	**65 372 180**
Non-Current Assets			
Investment property	3	58 239 775	53 501 215
Property Plant and Equipment	4	999 314 468	952 609 256
Heritage Assets	5	463 363	463 363
Intangible assets	6	-	85 347
Deposit (Security held in advance)	8	13 539 055	12 706 118
		1 071 556 661	**1 019 365 299**
Total Assets		**1 182 574 883**	**1 084 737 479**
Liabilities			
Current Liabilities			
Deferred income	17	192 983	192 983
Finance lease obligation	15	9 624 401	-
Landfill Site Provision	18	1 678 266	1 707 120
Payables from exchange transactions	19	90 685 202	83 524 047
Consumer deposits	20	5 383 183	5 249 231
Employee benefit obligation	7	1 748 184	1 717 526
Unspent conditional grants and receipts	16	23 749 855	914 921
Provision for Long Service Leave	18	335 969	633 421
		133 398 043	**93 939 249**
Non-Current Liabilities			
Deferred income	17	3 473 684	3 666 667
Finance lease obligation	15	13 468 764	-
Landfill Site Provision	18	50 280 435	49 251 689
Employee benefit obligation	7	34 723 584	36 323 139
Provision for Long Service Leave	18	5 674 465	4 713 236
		107 620 932	**93 954 731**
Total Liabilities		**241 018 975**	**187 893 980**
Net Assets		**941 555 908**	**896 843 499**
Net Assets			
Accumulated surplus		941 555 908	896 843 499

* See Note 41

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated
Revenue			
Revenue from exchange transactions			
Interest received	24	11 316 162	12 620 796
Licences and permits	21	4 706 876	4 955 863
Other income	23	1 679 788	1 522 446
Recoveries	23	-	22 447
Rental of facilities and equipment	34	1 644 122	944 246
Service charges	22	87 282 279	74 873 839
Total revenue from exchange transactions		**106 629 227**	**94 939 637**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	32 756 281	25 978 446
Transfer revenue			
Government grants & subsidies	27	316 049 270	324 063 649
Public contributions and donations		41 272	9 573 190
Fines, Penalties and Forfeits	21	56 634 539	67 325 397
Total revenue from non-exchange transactions		**405 481 362**	**426 940 682**
Total revenue	21	**512 110 589**	**521 880 319**
Expenditure			
Bulk purchases	32	(73 726 891)	(68 601 882)
Debt Impairment	31	(47 751 553)	(74 839 486)
Depreciation and amortisation	4&5&6	(54 138 249)	(53 653 958)
Employee related costs	28	(146 717 048)	(127 366 501)
Finance costs	30	(2 796 740)	(281 020)
General Expenses	33	(104 840 461)	(139 960 746)
Impairment loss/ Reversal of impairments	35	(261 844)	(630 188)
Lease rentals on operating lease	35	(4 771 998)	(7 873 341)
Remuneration of councillors	29	(23 661 753)	(22 873 581)
Repairs and maintenance		(15 839 277)	(12 305 069)
Transfers and Subsidies	26	(2 483 114)	(2 137 392)
Total expenditure		**(476 988 928)**	**(510 523 164)**
Operating surplus/(deficit)	35	**35 121 661**	**11 357 155**
Additional service cost landfill rehabilitation	18	707 228	(2 019 251)
Fair value adjustments - actuarial gains	7&18	3 947 195	3 562 297
Investment property fair value adjustment	3	4 738 560	379 419
Profit/(Loss) on disposal of assets	35	197 765	(1 469 884)
		9 590 748	**452 581**
Surplus for the year		**44 712 409**	**11 809 736**

* See Note 41

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	**885 033 763**	**885 033 763**
Changes in net assets		
Surplus for the year	11 809 736	11 809 736
Total changes	11 809 736	11 809 736
Opening balance as previously reported	898 895 751	898 895 751
Adjustments		
Correction of errors June 2018 year	(2 118 294)	(2 118 294)
Balance at 01 July 2018 as restated	**896 843 499**	**896 843 499**
Changes in net assets		
Surplus for the year	44 712 409	44 712 409
Total changes	44 712 409	44 712 409
Balance at 30 June 2019	**941 555 908**	**941 555 908**
Note(s)	41	

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Fines		6 068 999	7 578 865
Sale of goods and services		94 320 834	88 812 410
Grants		316 049 270	324 063 649
Interest		11 316 162	12 620 796
Other receipts		3 130 929	2 296 158
Licences and Permits		4 706 876	4 955 863
		435 593 070	440 327 741
Payments			
Employee costs		(167 336 726)	(146 517 206)
Suppliers		(133 029 406)	(197 480 055)
Finance cost		(2 796 740)	(281 020)
		(303 162 872)	(344 278 281)
Net cash flows from operating activities	36	**132 430 198**	**96 049 460**
Cash flows from investing activities			
Purchase of property plant and equipment	4	(108 753 477)	(106 372 423)
Proceeds from sale of investment property	3	3 118 000	2 400 000
Net cash flows from investing activities		**(105 635 477)**	**(103 972 423)**
Cash flows from financing activities			
Finance lease payments		(8 842 840)	(6 899 878)
Net increase/(decrease) in cash and cash equivalents		**17 951 881**	**(14 822 841)**
Cash and cash equivalents at the beginning of the year		6 224 745	21 047 586
Cash and cash equivalents at the end of the year	14	**24 176 626**	**6 224 745**

* See Note 41

Statement of Comparison of Budget and Actual Amounts

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	101 546 076	(11 621 377)	**89 924 699**	87 282 279	**(2 642 420)**	1
Rental of facilities and equipment	1 220 000	(220 000)	**1 000 000**	1 644 122	**644 122**	2
Licences and permits	4 950 000	250 000	**5 200 000**	4 706 876	**(493 124)**	3
Other income	2 760 771	(1 178 569)	**1 582 202**	1 679 788	**97 586**	4
Interest earned	11 160 815	(1 668 440)	**9 492 375**	11 316 162	**1 823 787**	5
Total revenue from exchange transactions	**121 637 662**	**(14 438 386)**	**107 199 276**	**106 629 227**	**(570 049)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	36 650 073	(3 639 591)	**33 010 482**	32 756 281	**(254 201)**	6
Transfer revenue						
Government grants & subsidies	245 278 000	94 050 000	**339 328 000**	-	**(339 328 000)**	7
Public contributions and donations	-	-	**-**	41 272	**41 272**	9
Fines, Penalties and Forfeits	73 217 747	(3 008 874)	**70 208 873**	56 634 539	**(13 574 334)**	8
Total revenue from non-exchange transactions	**355 145 820**	**87 401 535**	**442 547 355**	**89 432 092**	**(353 115 263)**	
Total revenue	**476 783 482**	**72 963 149**	**549 746 631**	**196 061 319**	**(353 685 312)**	
Expenditure						
Employee related costs	(134 148 576)	3 675 500	**(130 473 076)**	(146 717 048)	**(16 243 972)**	9
Remuneration of councillors	(25 070 359)	779 310	**(24 291 049)**	(23 661 753)	**629 296**	10
Depreciation and amortisation	(51 180 556)	(42)	**(51 180 598)**	(54 138 249)	**(2 957 651)**	12
Impairment loss/ Reversal of impairments	-	-	**-**	(261 844)	**(261 844)**	12.1
Finance costs	(2 500 000)	(400 000)	**(2 900 000)**	(2 796 740)	**103 260**	13
Lease rentals on operating lease	-	-	**-**	(4 771 998)	**(4 771 998)**	14
Debt Impairment	(53 420 865)	(1 579 135)	**(55 000 000)**	(47 751 553)	**7 248 447**	15
Repairs and maintenance	(17 093 456)	8 184 674	**(8 908 782)**	(15 839 277)	**(6 930 495)**	16

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
Bulk purchases	(80 000 000)	10 000 000	**(70 000 000)**	(73 726 891)	**(3 726 891)**	17
Transfers and Subsidies	(4 403 972)	823 929	**(3 580 043)**	(2 483 114)	**1 096 929**	18
General Expenses	(103 489 276)	654 230	**(102 835 046)**	(104 840 461)	**(2 005 415)**	19
Total expenditure	**(471 307 060)**	**22 138 466**	**(449 168 594)**	**(476 988 928)**	**(27 820 334)**	
Operating deficit	**5 476 422**	**95 101 615**	**100 578 037**	**(280 927 609)**	**(180 349 572)**	
Gain on disposal of assets and liabilities	-	-	**-**	197 765	**197 765**	22
Additional contribution landfill rehabilitation	-	-	**-**	707 228	**707 228**	20
Fair value adjustments	-	-	**-**	3 947 195	**3 947 195**	21
Investment property fair value adjustment	-	-	**-**	4 738 560	**4 738 560**	25
	-	**-**	**-**	**9 590 748**	**9 590 748**	
Surplus/(Deficit) before taxation	**5 476 422**	**95 101 615**	**100 578 037**	**(271 336 861)**	**(371 914 898)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**5 476 422**	**95 101 615**	**100 578 037**	**(271 336 861)**	**(371 914 898)**	

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	3 400 000	-	**3 400 000**	6 244 690	**2 844 690**	22
Receivables from exchange transactions	-	-	**-**	3 778 273	**3 778 273**	23
Receivables from non-exchange transactions	58 923 282	583	**58 923 865**	32 306 320	**(26 617 545)**	24
VAT receivable	-	-	**-**	10 703 965	**10 703 965**	25
Consumer debtors	40 482 567	-	**40 482 567**	33 808 347	**(6 674 220)**	26
Cash and cash equivalents	18 038 929	6 234 000	**24 272 929**	24 176 627	**(96 302)**	27
	120 844 778	**6 234 583**	**127 079 361**	**111 018 222**	**(16 061 139)**	
Non-Current Assets						
Investment property	53 728 304	-	**53 728 304**	58 239 775	**4 511 471**	28
Property Plant and Equipment	1 016 632 049	-	**1 016 632 049**	999 314 468	**(17 317 581)**	29
Heritage Assets	-	-	**-**	463 363	**463 363**	30
Intangible assets	290 674	-	**290 674**	-	**(290 674)**	31
Deposit (Security held in advance)	12 841 200	-	**12 841 200**	13 539 055	**697 855**	32
	1 083 492 227	**-**	**1 083 492 227**	**1 071 556 661**	**(11 935 566)**	
Total Assets	**1 204 337 005**	**6 234 583**	**1 210 571 588**	**1 182 574 883**	**(27 996 705)**	
Liabilities						
Current Liabilities						
Deferred income	-	-	**-**	192 983	**192 983**	33
Finance lease obligation	10 000 000	(3 189 157)	**6 810 843**	9 624 401	**2 813 558**	34
Landfill Rehabilitation Provision	-	-	**-**	1 678 266	**1 678 266**	35
Payables from exchange transactions	52 466 250	-	**52 466 250**	90 685 196	**38 218 946**	36
Consumer deposits	5 260 000	-	**5 260 000**	5 383 183	**123 183**	37
Employee benefit obligation	-	-	**-**	1 748 184	**1 748 184**	38
Unspent conditional grants and receipts	-	-	**-**	23 749 855	**23 749 855**	39

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
Provision for Long Service Leave	5 412 000	(3 000 000)	**2 412 000**	335 969	**(2 076 031)**	40
	73 138 250	**(6 189 157)**	**66 949 093**	**133 398 037**	**66 448 944**	
Non-Current Liabilities						
Deferred income	-	-	**-**	3 473 684	**3 473 684**	41
Finance lease obligation	30 677 227	(7 437 250)	**23 239 977**	13 468 764	**(9 771 213)**	42
Landfill Site Rehabilitation provision	-	-	**-**	50 280 435	**50 280 435**	43
Employee benefit obligation	-	-	**-**	36 323 139	**36 323 139**	44
Provision for Long Service Leave	85 951 562	-	**85 951 562**	5 674 465	**(80 277 097)**	45
	116 628 789	**(7 437 250)**	**109 191 539**	**109 220 487**	**28 948**	
Total Liabilities	**189 767 039**	**(13 626 407)**	**176 140 632**	**242 618 524**	**66 477 892**	
Net Assets	**1 014 569 966**	**19 860 990**	**1 034 430 956**	**939 956 359**	**(94 474 597)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	1 014 569 966	19 860 990	**1 034 430 956**	939 956 359	**(94 474 597)**	46

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Ac on

Budget and Actual Amounts variance explanation

1. Service Charges
Electricity and refuse removal revenue anticipated was over projected and in addition, the illegal connections in Roosenekaal was expected to be resolved. It had a negative impact on electricity revenue
2. Rental of facilities and equipment
The variance is attributed to straight lining of operating lease
3. Licences and permits
The variance is slightly below budgeted amount and considered reasonable based on the estimated amount
4. Other income
The variance is deemed to be immaterial, however it is attributable to building plan approval which was significantly under budgeted.
5. Interest earned
The variance is attributed to the increment in debtors and adequate investment made during the year
6. Property rates
The variance is attributed to unknown properties that are not getting billed.
7. Government grants and subsidies
The variance is attributed to the unspent conditional grants
8. Public contributions and donations
The item was not budgeted for as it wasn't expected
9. Fines; penalties and forfeits
The variance was due to burning of speed cameras and realisation by the citizen relating to location of cameras.
10. Employee related costs
The variance is caused by high leave pay; actuarial long service awards and employee benefit scheme
11. Remuneration of Councillors
The variance is due to the upper limits that was slightly less than the projected figures
12. Depreciation & asset impairment
The variance is attributed to additions including finance lease
13. Debt impairment
The variance is attributed to low collection rate on traffic fines as well as a significant
14. Impairment loss and reversals
Impairment loss/reversal of impairment loss was not budgeted for
15. Finance charges
Refer to finance lease explanation
16. Repairs and maintenance
The variance is attributed to unexpected high maintenance. Refer to inventory explanation
17. Transfers and subsidies
The number of households receiving free basic electricity was way below the projected amount
18. Bulk purchases
The variance is attributable to new electrified area- Masakaneng
19. Operating lease
The budget is included in other expenditure budget as per National Treasury Schedule
20. General expenses
The variance is caused by those accounts that are presented separately in the National Treasury schedules whereas they are classified as other expenditure on the face of statement of financial performance (i.e leases)
21. Loss on disposal of assets and liabilities
There was no budget provision for this account
22. Additional contribution landfill rehabilitation
There was no budget provision for this account
23. Fair value adjustments
There was no budget provision for this account
24. Investment property fair value adjustment
There was no budget provision for this account
25. Cash and cash equivalent
The variance is immaterial and is due to low revenue collection rate
26. Consumer debtors
The variance is attributable high debt impairment on debtors
27. Receivables from exchange transaction
The budget for this item is combined with receivables from non-exchange transactions
28. Receivables from non-exchange transaction

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Ac on
Figures in Rand				

Adding receivables from both exchange and non-exchange transactions and VAT receivable, we remain with underperformance variance that is caused by significant portion of traffic fines debtors having been impaired

29. VAT receivables

The budget for this item is combined with receivables from non-exchange transactions

30. Inventory

Inventory was kept at reasonable level as compared to previous year which resulted in purchasing adequate store items

31. Investment property

The variance is attributed to high fair value adjustment

32. Property, plant and equipment

The variance is attributed to the disposal of assets

33. Heritage assets

The budget for this account is included in the property plant and equipment

34. Intangible assets

Intangible assets fully amortised

35. Deposit (Security held in advance)

The variance is caused by the actual interest earned on this deposit that was slightly more than projected interest and this is due to the capitalization of previously earned interest

36. Finance lease obligation

The variance is attributed to specialised machinery and equipment and transport assets that were delivered after commencement of the lease and that not all assets are delivered.

37. Consumer deposits

The consumer deposit received during the year was more than the projected amount

38. Trade and other payables

The variance is attributed to a significant amount for accruals

39. Deferred income

The budget for this account is included in provisions

40. Employee benefit obligation

The budget for this account is included in provisions

41. Unspent conditional grants

The variance is due to unexpected additional MIG and COGHSTA funds allocated after mid-year

42. Landfill Rehabilitation Provisions

The budget for this account is included in provisions

43. Provisions

Taking the above items into consideration whose budged in included in the provision budget, the variance is attributed to increase in provision for landfill site and long service leave

44. Accumulated Surplus/(Deficit)

The variance is caused by high total expenditure that is caused by significant increase in debt impairment; repairs and maintenance and employee related costs. Furthermore, it is caused by additional grants received.

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) including any interpretations, guidelines and directives issued by the Accounting Standards Board. In situations were the application of GRAP is not practicable, the International Accounting Standards will apply.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand.

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

Useful lives and residual values 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 estimation should be based on the expected pattern in which an asset's future economic benefits or service potential are to be consumed by the municipality.

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

Trade receivables

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

The impairment for trade receivables is calculated on a portfolio risk basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. The write down is included in the operation surplus note.

Fair value estimation

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.

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

Accounting Policies

1. Presentation of Annual Financial Statements (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.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

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 18 - Provisions.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 7.

Effective interest rate

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

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows.

Provision for landfill sites

The provision for rehabilitation site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the related asset are charged to the Statement of Financial Performance.

Provision of rehabilitation of landfill site is determined by :

- Calculating the cost of rehabilitation of landfill sites and assessing the useful life of each land fill site as done by an Actuary/Specialist
- The effect of time value of money is calculated using interest rates (investment rate) linked to the prime rate.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

1.4 Investment property

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

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the enterprise, 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 at no cost or for a nominal cost, 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.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be measurable when construction is complete. It measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

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

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

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

1.5 Property Plant and Equipment

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

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

Property Plant and Equipment is initially measured at cost.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

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

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property plant and equipment are accounted for as property plant and equipment.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

Item	**Average useful life**
Land	Indefinite
Buildings	30 years
Plant and machinery	5 - 15 years
Furniture and fixtures	7 - 10 years
Motor vehicles	3 -20 years
Office equipment	3 - 5 years
IT equipment	3 - 6 years
Infrastructure	5 - 30 years
Other property, plant and equipment	5 - 30 years
Other equipment	5- 25 years
Specialised vehicles	10 years
Tools and loose gear	5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

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

1. Presentation of Annual Financial Statements (continued)

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

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 recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

Item	**Useful life**
Computer Software	3-5 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 is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

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

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

An impairment loss of a heritage asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

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

Recoverable amount is the higher of the heritage asset’s net selling price and its value in use.

Value in use of the heritage asset is the present value of the asset’s remaining service potential.

Recognition

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

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

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

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Financial instruments

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

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.

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

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

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

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

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

A financial asset is:
- cash;

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

Long term advance payments 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.

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

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

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

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

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

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

Financial instruments at fair value comprise financial assets or financial liabilities that do not meet the definition of financial instruments at amortised cost or financial.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

Classification

The Municipality has the following types of financial assets as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial Asset measured at amortised cost
Investments - Call accounts	Financial Asset measured at amortised cost
Consumer Debtors	Financial Asset measured at amortised cost
VAT	Financial Asset measured at amortised cost
Sundry debtors	Financial Asset measured at amortised cost

The Municipality has the following types of financial liabilities as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Deposits	Financial liability measured at amortised cost
Trade Payables	Financial liability measured at amortised cost
Accruals	Financial liability measured at amortised cost

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

1. Presentation of Annual Financial Statements (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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 effective interest rate.

Derecognition

Financial assets

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

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

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, is recognised in surplus or deficit.

1. Presentation of Annual Financial Statements (continued)

Presentation

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

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

1.9 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, 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.

1. Presentation of Annual Financial Statements (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 first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

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

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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 held with the primary 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.

Identification

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

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

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

1. Presentation of Annual Financial Statements (continued)

Value in use

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

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

Basis for estimates of future cash flows

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Cash-generating units

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

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

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

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

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

1.12 Impairment of non-cash-generating assets

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

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.

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

Value in use

Value in use of an asset is the present value of the asset’s remaining service potential.

The present value of the remaining service potential of an asset is determined using the following approach:

1. Presentation of Annual Financial Statements (continued)

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

1.13 Employee benefits

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

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

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

1. Presentation of Annual Financial Statements (continued)

Termination benefits are employee benefits payable as a result of either:
- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

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

Short-term employee benefits

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

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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

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

Post-employment benefits

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

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

1. Presentation of Annual Financial Statements (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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

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 post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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 shall recognise 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;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1. Presentation of Annual Financial Statements (continued)

1.14 Provisions and Contingent Liabilities

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

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

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 38.

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

1. Presentation of Annual Financial Statements (continued)

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

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

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:
- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:
- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

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

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

1.15 Commitments

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

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:
- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts commitments are excluded.

1.16 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.

1. Presentation of Annual Financial Statements (continued)

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

Measurement

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

Sale of goods

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

Rendering of services

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

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

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

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

Interest

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

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

1.17 Revenue from non-exchange transactions

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

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

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

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

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

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

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

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

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

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

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

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

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.

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.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Transfers

Apart from Services in kind, which are not recognised, 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.

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.

Fines

1. Presentation of Annual Financial Statements (continued)

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued.
The amount due by a particular offender is specified on the notice, summons or equivalent document.The municipality issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken.

Fines reductions are not within the Elias Motsoaledi Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control, then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of this process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information.
The municipality is able to reliably measure the fair value of fines issued . The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably.

The basis of a receivables provision for fines outstanding as at year end in Elias Motsoaledi Municipality is based on an average percentage of fines outstanding divided by the total fines issued for each financial year.

Impairment on all traffic fines outstanding is calculated on a basis of the average of uncollectable rate over the full period of traffic fines per type of traffic fine.

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.

Levies

Levies are recognised as revenue 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.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:
- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- Internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers.

Government grants

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

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

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

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

1. Presentation of Annual Financial Statements (continued)

Property rates - revenue

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Other grants and donations

Other grants and donations are recognised as revenue when:

> it is probably that the economic benefits or service potential associated with the transaction will flow to the municipality;

> the amount of the revenue can be measured reliably; and

>to the extent that there has been compliance with any restrictions associated with the grant.

1.18 Investment income

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

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

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

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

1. **Presentation of Annual Financial Statements (continued)**

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

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

1.23 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of 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. Grants are included in Non exchange transactions revenue.

1.25 Budget information

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

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

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

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

Comparative information is not required.

1.26 Related parties

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

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

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

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

Accounting Policies

1. Presentation of Annual Financial Statements (continued)

1.27 Events after reporting date

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

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

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

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

1.28 Consumer Deposits

Consumer Deposits represents funds received by the municipality as security for payment of consumer accounts. The amount represent the actual cash received and can either be paid back or set off against an consumer account. The gross un-utilised deposit amount is indicated. No interest is paid to the consumers on the deposits held by the municipality.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has not adopted any new standards and interpretations.

2.2 Standards and Interpretations early adopted

The municipality did not choose to early adopt any standards and interpretations:

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods. TBA indicates that the effective date is still to be determined by the ASB:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

3. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	58 239 775	-	58 239 775	53 501 215	-	53 501 215

Reconciliation of investment property - December 2018

	Opening balance	Fair value adjustments	Total
Investment property	53 501 215	4 738 560	58 239 775

Reconciliation of investment property - June 2018

	Opening balance	Disposals	Write-off	Fair value adjustments	Total
Investment property	56 087 215	(1 897 176)	(1 068 244)	379 420	53 501 215

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. None of the assets of the Municipality has been pledged as security for any purposes.

The valuation of the Investment properties was performed by an independent valuator, Pierre Rynners valuers.
Sales research was conducted for property transactions taking place in the period starting July 2015 to June 2018. Year-on-year increases were calculated based on the average sales data collected for each township within the larger municipal area.
The property market in the greater Elias Motsoaledi area was very quiet, overall little if any increases took place.

4. Property Plant and Equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	186 531 191	(9 915 156)	176 616 035	186 531 191	(9 915 156)	176 616 035
Buildings	132 215 804	(65 117 047)	67 098 757	133 046 400	(60 859 175)	72 187 225
Leased assets capitalised	25 993 331	(4 355 701)	21 637 630	-	-	-
Infrastructure	1 020 251 265	(404 891 866)	615 359 399	1 019 187 652	(425 111 147)	594 076 505
Community	40 284 331	(12 389 541)	27 894 790	31 950 442	(11 168 115)	20 782 327
Other property, plant and equipment	89 790 386	(47 146 943)	42 643 443	97 216 593	(51 316 267)	45 900 326
Capital - Work in Progress	48 064 414	-	48 064 414	43 046 838	-	43 046 838
Total	**1 543 130 722**	**(543 816 254)**	**999 314 468**	**1 510 979 116**	**(558 369 860)**	**952 609 256**

Notes to the Annual Financial Statements

Figures in Rand

Reconciliation of property plant and equipment - June 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Transfers	Derecognised	Transfers	Depreciation	Impairment loss	Total
Land	176 616 035	-	-	-	-	-	-	-	-	-	176 616 03
Buildings	72 187 225	-	-	(312 284)	-	-	-	-	(4 615 382)	(160 802)	67 098 75
Leased assets capitalised	-	25 993 331	-	-	-	-	-	-	(4 355 701)	-	21 637 63
Infrastructure	594 076 505	1	-	(1 715 716)	-	-	-	62 712 654	(39 613 338)	(100 707)	615 359 39
Community	20 782 327	8 403 868	-	(9 224)	-	-	-	-	(1 282 181)	-	27 894 79
Other property, plant and equipment	45 900 326	1 394 199	-	(604 231)	-	-	-	67 891	(4 110 584)	(4 158)	42 643 44
Capital - Work in Progress	43 046 838	72 962 078	-	-	-	-	-	(67 944 502)	-	-	48 064 41
	952 609 256	**108 753 477**	**-**	**(2 641 455)**	**-**	**-**	**-**	**(5 163 957)**	**(53 977 186)**	**(265 667)**	**999 314 40**

Reconciliation of property plant and equipment - June 2018

	Opening balance	Additions	Donations made	Transfers	Donations received	Derecognised	Depreciation	Impairment loss	Total
Land	176 616 035	-	-	-	-	-	-	-	176 616 035
Buildings	80 273 020	-	-	1 554 406	-	(4 472 208)	(5 033 425)	(134 568)	72 187 225
Leased assets capitalised	16 971 136	-	-	(15 330 037)	-	-	(1 641 099)	-	-
Infrastructure	567 236 714	454 999	-	77 628 144	403 065	(11 002 802)	(40 320 236)	(323 379)	594 076 505
Community	12 029 029	-	-	10 054 537	-	(81 615)	(1 161 424)	(58 200)	20 782 327
Other property, plant and equipment	24 472 512	2 220 996	-	17 295 604	7 593 379	(275 680)	(5 292 444)	(114 041)	45 900 326
Capital - Work in Progress	47 089 315	104 887 238	(17 657 557)	(91 202 654)	-	(69 504)	-	-	43 046 838
	924 687 761	**107 563 233**	**(17 657 557)**	**-**	**7 996 444**	**(15 901 809)**	**(53 448 628)**	**(630 188)**	**952 609 256**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

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. None of the assets of the Municipality has been pledged as security for any purposes.

Certain assets were impaired during the year, based on physical verification that were performed during the 2017 financial year. The fair value less costs to sell method was used.

The impairment review was limited to review of the possible “Physical impairment” of the assets. This impairment review is therefore directly linked to the high-level condition assessment carried out on the assets that have been physically verified.
Impairment was raised in cases where the carrying amount at yearend (Including accumulated impairment in prior years but before current year impairment losses) exceeded the recoverable service amount calculated. The additional impairment will be equal to the difference between the carrying value and the recoverable service amount.

Once the condition of an asset is determined the condition rating is applied in order to ensure that the value of the asset is correctly reflected, this is done by reducing the carrying value of the asset based on its condition, as per the table below:

Description	**Rating**
Very Good	95%
Good	70%
Fair	45%
Poor	25%
Very Poor	10%
Broken	0%

Electricity that does not exist but were recorded in the Fixed Asset Register as Elias Motsoaledi local municipality assets, have been removed from the Fixed Asset Register.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

5. Heritage Assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Heritage Assets	463 363	-	463 363	463 363	-	463 363

Reconciliation of heritage assets - June 2019

	Opening balance	Total
Heritage Assets	463 363	463 363

Reconciliation of heritage assets - June 2018

	Opening balance	Total
Heritage Assets	463 363	463 363

6. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 554 591	(1 554 591)	-	1 554 591	(1 469 244)	85 347

Reconciliation of intangible assets - June 2019

	Opening balance	Amortisation	Total
Computer software	85 347	(85 347)	-

Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Total
Computer software	290 674	(205 327)	85 347

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

7. Employee benefit obligations

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

Carrying value		
Present value of the Post Employment Medical Health Care obligation - Opening balance	(38 040 665)	(38 840 105)
Interest charge	(3 522 965)	(3 640 455)
Net actuarial gains or losses recognised	4 598 255	3 998 111
Current Service Cost	(1 272 540)	(1 310 645)
Benefits paid out of the fund	1 766 147	1 752 429
	(36 471 768)	**(38 040 665)**

Non-current liabilities	(34 723 584)	(36 323 139)
Current liabilities	(1 748 184)	(1 717 526)
	(36 471 768)	**(38 040 665)**

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

Opening balance	38 040 665	38 840 105
Net expense recognised in the statement of financial performance	(1 568 897)	(799 440)
	36 471 768	**38 040 665**

Net expense recognised in the statement of financial performance

Current service cost	1 272 540	1 310 645
Interest cost	3 522 965	3 640 455
Actuarial (gains)/losses	(4 598 255)	(3 998 111)
Paid out to current members	(1 766 147)	(1 752 429)
	(1 568 897)	**(799 440)**

Calculation of actuarial gains and losses

Actuarial (gains)/losses – Obligation	(4 598 255)	(3 998 111)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used: Long service awards	8.24 %	8.61 %
General salary inflation (Long Term)	5.60 %	6.21 %
Nett effective discount rate - Long service awards	2.50 %	2.26 %
Discount rate used: Post employment benefits	9.19 %	9.47 %
Health care inflation rate	7.33 %	7.33 %
Net effective discount rate - Post employment benefits	1.99 %	1.99 %

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost on employee benfits obligation	4 468 300	5 192 700
Effect on the aggregate of the service cost and interest cost on Long service awards	1 007 100	1 061 200

Amounts disclosed span the total information available as the municipality applied the GRAP standard only from 2015 annual financial statements. Future periods will include all further information as it ages.

	2019 R	2018 R	2017 R	2016 R	2015 R
Defined benefit obligation	36 472 000	38 040 665	38 840 103	35 484 327	30 763 371
Experience adjustments on plan liabilities	(2 253 000)	(1 888 000)	(4 795 000)	(1 933 000)	(363 000)

	2019 R	2018 R	2017 R	2016 R	2015 R
Long service awards	36 472 000	38 040 665	4 551 581	534 657	6 010 434
Experience adjustments on plan liabilities	196 105	287 873	(103 338)	372 039	(64 492)

8. Deposit (Security held in advance)

A security deposit is held by Eskom who is the bulk electricity supplier to the municipality. The Municipality occasionally pays additional deposits as required by the supplier. The deposit attracts interest at rates determined by the supplier on an annual basis. The annual interest is accounted for in the additional deposit amounts held and the relevant interest earned amount on the statement of financial performance. The amount equals approximately twice the monthly account and will be held until the service is no longer required.

	2019	2018
Eskom Deposits		
Account payable security	13 539 055	12 706 118

9. Inventories

	2019	2018
Consumables	6 244 690	3 328 341

9.1 Consumables expenses

	2019	2018
Statement of Financial Position		
Opening stock	3 328 341	3 202 151
Add: Purchases	7 905 226	6 042 544
Less: Consumed	(4 988 879)	(5 916 354)
Closing stock	6 244 690	3 328 341
Statement of Financial Performance		
Consumables used	-	34 508
Repairs And Maintanance used	3 311 722	3 539 796
Printing And Stationery used	1 654 657	2 342 050
Advertising	22 500	-
Inventories recognised as an expense during the year	**4 988 879**	**5 916 353**

Inventories recognised as expenses during the year are included in different expenditure line items in the statememt of financial performance as illustrated above.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

10. Receivables from exchange transactions

Interest receivable	48 247	48 247
Prepayments	1 725 941	150 235
Recoverable fruitless and wasteful expenditure	-	22 446
Trade debtors	2 004 085	836 216
	3 778 273	**1 057 144**

11. Receivables from non-exchange transactions

Fines	179 683 893	129 118 352
Less: Provision for irrecoverable debt	(147 377 573)	(110 982 094)
	32 306 320	**18 136 258**

12. VAT receivable

VAT	10 703 965	11 673 080

The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

13. Consumer debtors

Gross balances		
Rates	36 022 422	25 293 820
Electricity	10 412 079	12 128 864
Refuse	10 469 424	6 667 441
Other	29 487 419	22 089 409
	86 391 344	**66 179 534**
Less: Allowance for impairment		
Rates	(22 210 824)	(17 106 313)
Electricity	(2 371 195)	(3 066 082)
Refuse	(7 319 086)	(4 343 679)
Other	(20 681 892)	(16 710 848)
	(52 582 997)	**(41 226 922)**
Net balance		
Rates	13 811 598	8 187 507
Electricity	8 040 884	9 062 782
Refuse	3 150 338	2 323 762
Other	8 805 527	5 378 561
	33 808 347	**24 952 612**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Rates		
Current (0 -30 days)	5 746 477	2 343 694
31 - 60 days	1 375 584	1 320 296
61 - 90 days	1 004 722	970 488
91 - 120 days	949 549	845 741
121 - 365 days	6 062 688	6 654 584
> 365 days	20 883 402	13 159 017
	36 022 422	**25 293 820**
Electricity		
Current (0 -30 days)	4 927 228	5 507 063
31 - 60 days	1 750 989	2 002 991
61 - 90 days	296 864	559 908
91 - 120 days	92 005	301 435
121 - 365 days	453 695	740 860
> 365 days	2 891 298	3 016 607
	10 412 079	**12 128 864**
Refuse		
Current (0 -30 days)	652 118	652 157
31 - 60 days	559 854	451 927
61 - 90 days	372 757	375 759
91 - 120 days	357 706	346 037
121 - 365 days	2 424 798	3 019 094
> 365 days	6 102 191	1 822 467
	10 469 424	**6 667 441**
Other		
Current (0 -30 days)	2 036 361	1 681 066
31 - 60 days	1 217 892	1 033 695
61 - 90 days	902 508	784 473
91 - 120 days	842 010	636 065
121 - 365 days	5 524 866	5 414 572
> 365 days	18 963 782	12 539 538
	29 491 975	**22 089 409**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	6 097 441	3 963 868
31 - 60 days	2 198 268	2 465 659
61 - 90 days	1 322 812	1 514 234
91 - 120 days	1 254 836	1 237 309
121 - 365 days	8 243 535	8 845 488
> 365 days	25 107 037	19 516 342
	44 223 929	37 542 900
Less: Allowance for impairment	(28 354 301)	(23 144 022)
	15 869 628	**14 398 878**

Industrial/ commercial		
Current (0 -30 days)	5 791 778	5 982 693
31 - 60 days	2 130 783	2 123 308
61 - 90 days	852 014	1 017 602
91 - 120 days	776 194	734 874
121 - 365 days	4 863 995	4 343 767
> 365 days	17 900 715	12 360 416
	32 315 479	26 562 660
Less: Allowance for impairment	(19 321 155)	(16 970 661)
	12 994 324	**9 591 999**

National and provincial government		
Current (0 -30 days)	1 472 965	237 420
31 - 60 days	575 268	219 942
61 - 90 days	402 024	158 792
91 - 120 days	210 240	157 095
121 - 365 days	1 358 516	213 417
> 365 days	5 837 477	1 087 306
	9 856 490	2 073 972
Less: Allowance for impairment	(4 907 542)	(1 112 238)
	4 948 948	**961 734**

Total		
Consumers	44 219 373	37 542 900
Commercial / industrial / agricultural	32 315 481	26 562 660
National, Provincial and other government organisations	9 856 489	2 073 976
	86 391 343	66 179 536
Less: Allowance for impairment	(52 582 996)	(41 226 924)
	33 808 347	**24 952 612**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(41 226 922)	(27 545 439)
Contributions to allowance	(11 356 075)	(13 681 483)
	(52 582 997)	**(41 226 922)**

Consumer debtors impaired

As of 30 June 2019, consumer debtors of R 86 391 343 (2018: R 66 179 534) were impaired and provided for.

The amount of the provision was R 52 582 997 as at 30 June 2019 (2018: R 41 226 922). The basis of the calculation of debt impairment is based on the risk assessment required in terms of GRAP 19.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Consumer debtors breakdown

The carrying amount of consumer debtors consist of the following:

Consumer debtors from non-exchange transactions	22 621 681	13 566 068
Consumer debtors from exchange transactions	11 191 221	11 386 544
Total	**33 812 902**	**24 952 612**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 250	6 251
Bank balances	12 332 722	6 218 494
Short-term deposits	11 837 655	-
	24 176 627	**6 224 745**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018		30 June 2019	30 June 2018	
Nedbank Limited: Cheque Account (Acc no 1137278765)	10 584 854	4 050 088	-	12 306 291	6 187 834	-
Nedbank Limited: Call Account (Acc no 037881068264)	11 837 655	-	-	11 837 655	-	-
Total	**22 422 509**	**4 050 088**	**-**	**24 143 946**	**6 187 834**	**-**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

15. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	12 113 666	-
- in second to fifth year inclusive	14 655 540	-
	26 769 206	-
less: future finance charges	(3 676 040)	-
Present value of minimum lease payments	**23 093 166**	**-**
Non-current liabilities	13 468 764	-
Current liabilities	9 624 402	-
	23 093 166	**-**

It is municipality policy to lease certain motor vehicles and equipment under finance leases.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases were secured by the lessor's charge over the leased assets. Refer note 4.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2019	2018
Unspent conditional grants and receipts		
Land Affairs Grant	466 250	466 250
Integrated National Electrification Programme (Municipal Grant)	12 122	10 744
Municipal Infrastructure Grant	1 500 433	437 927
COGHSTA - Development of Masakaneng	21 771 050	-
	23 749 855	**914 921**

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 27 for reconciliation of grants from National/Provincial Government.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

17. Deferred income

Designated at amortised cost		
Deferred income	3 473 684	3 666 667

Designated at amortised cost		
Deferred income	192 983	192 983

The municipality received R 5 500 000 in advance for the market related lease of a business property. As part of the lease agreement these payments are amortised over the period of the lease agreement. No escalation is applicable on the lease and the lease payments are amortised utilising the straight line method. The lease amounts to R 192 982 per annum excluding VAT (value added tax).

Non-current liabilities		
Deferred income	3 473 684	3 666 667
Current liabilities		
Deferred income	192 983	192 983

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

18. Provision for Long Service Leave

Reconciliation of provisions - December 2018

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	50 958 809	(707 228)	-	1 707 120	-	51 958 701
Provision for Long Service Leave	5 346 657	599 274	(1 020 198)	433 641	651 060	6 010 434
	56 305 466	**(107 954)**	**(1 020 198)**	**2 140 761**	**651 060**	**57 969 135**

Reconciliation of provisions - June 2018

	Opening Balance	Current Service Cost	Benefit Vested	Interest Cost	Actuarial Loss / (Gain) Restated	Total
Environmental rehabilitation - Landfill	47 463 445	2 019 251	-	1 476 113	-	50 958 809
Provision for Long Service Leave Bonus	4 551 581	544 811	(559 498)	373 948	435 815	5 346 657
	52 015 026	**2 564 062**	**(559 498)**	**1 850 061**	**435 815**	**56 305 466**

	2019	2018
Non Current Portion Landfill site provision	50 280 435	49 251 689
Current Portion Landfill site provision	1 678 266	1 707 120
Non-current portion of long service leave provision	5 674 465	4 713 236
Current portion of long service leave provision	335 969	633 421
	57 969 135	**56 305 466**

Figures in Rand	2019	2018

Employee benefit cost provision

An actuarial valuation was performed on the long service bonus awards - current and non current - liability for the purpose of reporting under the statement of Generally Recognised Accounting Practice 25 (GRAP 25) of the Accounting Standards Board (ASB) Directive 5, which is based on the International Accounting Standards 19 (IAS 19) was performed.

In terms of the basic conditions of employment long service accumulated leave must be wholly or partially converted to payment on the date on which the employee qualifies for it or at any stage thereafter subject to budget provisions.

Detailed assumptions are disclosed under note 7

Environmental rehabilitation provision

An actuarial valuation was performed on the environmental rehabilitation - current and non current - liability. The municipality appointed One Pangaea Financial as actuaries to perform the rehabilitation review and estimation for the 2019 financial year. The appropriate procedures were followed to ensure that the provision is appropriate for the landfill sites operated.

Discount Rate Assumption

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site.

The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 27 June 2019 was 9.64% p.a.. The consumer price inflation of 6.21% p.a. was obtained from the differential between the averages of the Nominal Bond of 9.64% p.a. and the Real Bond 3.23% p.a. (Zero Yield Curves).

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 27 June 2019.

Key financial assumptions used

Assumption	30 June 2018 (OPES) %	30 June 2019 (OPES) %
Discount rate (D)	9.60	9.64
Consumer price inflation (C)	6.05	6.21
Net discount rate ((1+D)/(1+H)-1)	3.35	3.23

19. Payables from exchange transactions

	2019	2018
Trade payables	44 963 342	43 947 132
Payments received in advanced Consumer Accounts	6 287 447	6 404 313
Accrued leave pay	14 789 036	9 943 981
Accrued bonus	5 062 068	4 981 241
Retention Creditors	13 243 433	12 304 206
Unallocated deposits	3 709 981	3 612 245
Licensing	2 629 895	2 330 929
	90 685 202	**83 524 047**

20. Consumer deposits

	2019	2018
Electricity	5 383 183	5 247 792
Library Books	-	1 439
	5 383 183	**5 249 231**

The electricity deposit relates to the guarantees or amounts paid by consumers on initial connection to municipal services. The deposit will be used to settle the debt in case of disconnection of services or payment default by the customer.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

21. Revenue

Fines, Penalties and Forfeits	56 634 539	67 325 397
Government grants & subsidies	316 049 270	324 063 649
Interest received	11 316 162	12 620 796
Licences and permits	4 706 876	4 955 863
Other income	1 679 788	1 522 446
Property rates	32 756 281	25 978 446
Public contributions and donations	41 272	9 573 190
Recoveries	-	22 447
Rental of facilities and equipment	1 644 122	944 246
Service charges	87 282 279	74 873 839
	512 110 589	**521 880 319**

Interest received - investment	11 316 162	12 620 796
Licences and permits	4 706 876	4 955 863
Other income	1 679 788	1 522 446
Recoveries	-	22 447
Rental of facilities and equipment	1 644 122	944 246
Service charges	87 282 279	74 873 839
The amount included in revenue arising from exchanges of goods or services are as follows:		
	106 629 227	**94 939 637**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	32 756 281	25 978 446
Property rates - penalties imposed	-	-
Transfer revenue		
Government grants & subsidies	316 049 270	324 063 649
Assets donated	41 272	9 573 190
Fines, Penalties and Forfeits	56 634 539	67 325 397
	405 481 362	**426 940 682**

22. Service charges

Sale of electricity	79 427 783	67 574 989
Refuse removal	7 854 496	7 298 850
	87 282 279	**74 873 839**

23. Other income

Recovery of fruitless and wasteful expenditure	-	22 447
Other income	1 679 788	1 522 446
	1 679 788	**1 544 893**

Other income comprises of income from different sources as follows: Tender Documents, Plan Printing and Duplicates, Administrative fees, Cemetery and Burial, Clearance Certificates, Insurance Refund, Bad Debts Recovered, Staff Recoveries, Valuation Services, Building Plan Approval, Photocopies and Faxes, Application Fees for Land Usage, Photocopies ,Facilities, Tender Documents and Advertisements.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

24. Investment revenue

Interest revenue		
Bank and investments	2 133 031	2 154 009
Interest charged on trade and other receivables	8 350 194	9 692 922
Interest received on Eskom deposits	832 937	773 865
	11 316 162	**12 620 796**

25. Property rates

Rates received

Rates levied	39 240 818	31 606 551
Less: Income forgone (Property rates rebates)	(6 484 537)	(5 628 105)
	32 756 281	**25 978 446**

Valuations

Residential	2 545 434 000	2 191 319 500
Commercial	916 893 000	959 600 000
State	263 152 000	241 892 000
Municipal	83 563 350	181 270 000
Small holdings and farms	4 354 558 625	4 210 243 725
Social	54 801 500	85 233 750
	8 218 402 475	**7 869 558 975**

The municipality implemented the new valuation roll effective on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

26. Grants and subsidies paid

Subsidies		
Electricity Subsidies	1 018 802	663 614
Bursaries	191 772	177 819
Post Employment Medical Aid Benefits Current Service Charge	1 272 540	1 295 959
	2 483 114	**2 137 392**

27. Government grants and subsidies

Operating grants		
Equitable share	237 511 155	223 019 000
Local Government Financial Management Grant	1 770 000	1 700 000
Expanded Public Works Programme Integrated Grant for Municipalities	1 002 000	1 444 000
	240 283 155	**226 163 000**
Capital grants		
Municipal Infrastructure Grant (MIG)	60 769 493	82 721 959
Integrated National Electrification Programme Grant (INEP)	9 996 622	15 178 690
Energy Effeciency Demand System Management Grant	5 000 000	-
	75 766 115	**97 900 649**
	316 049 270	**324 063 649**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	437 927	16 299 885
Current-year receipts	61 831 999	66 860 000
Conditions met - transferred to revenue	(60 769 493)	(82 721 958)
Conditions still to be met - transferred to liabilities	(1 500 433)	(437 927)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Financial Management Grant (FMG)

Current-year receipts	1 770 000	1 700 000
Conditions met - transferred to revenue	(1 770 000)	(1 700 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Land Affairs Grant

Balance unspent at beginning of year	466 250	466 250

Conditions still to be met - remain liabilities (see note 16).

DME-Integrated national Electrification Programme Grant

Balance unspent at beginning of year	10 744	189 434
Current-year receipts	9 998 002	15 000 000
Conditions met - transferred to revenue	(9 996 622)	(15 178 690)
Conditions still to be met - transferred to liabilities	(12 124)	(10 744)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Expanded Public Works Programme Integrated Grant for Municipalities (EPWP)

Current-year receipts	1 002 000	1 444 000
Conditions met - transferred to revenue	(1 002 000)	(1 444 000)
	-	-

Conditions still to be met - remain liabilities (see note 16).

Energy Effeciency Demand System Management Grant (EEDM)

Current-year receipts	5 000 000	-
Conditions met - transferred to revenue	(5 000 000)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

COGHSTA - Development of Masakaneng

Current-year receipts	21 771 050	-
Conditions met - transferred to revenue	(21 771 050)	-
	-	-

Conditions still to be met - remain liabilities (see note 16).

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

28. Employee related costs

Acting allowances	298 527	483 813
Basic salary	84 473 346	75 964 826
Bonus	6 794 711	5 928 487
Defined contribution plans	16 185 064	14 728 241
Housing benefits and allowances	171 325	161 711
Contribution to provision for Leave and bonus pay	5 981 146	388 805
Medical aid - company contributions	5 303 272	4 726 589
Directors' remuneration as disclosed below	6 463 833	6 475 267
Overtime payments	2 893 851	2 977 585
Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge	599 274	559 499
Post Employment Medical Aid Benefits and Long Service Leave - Interest Charge	3 956 606	4 014 403
SDL	1 037 991	921 904
Travel, motor car, accommodation, subsistence and other allowances	11 914 071	9 419 065
UIF	606 955	581 490
WCA	37 076	34 816
	146 717 048	**127 366 501**

Included in the above balances is (unless stated otherwise) the remuneration for the following s57 municipal employees:

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Remuneration of Municipal Manager

Annual Remuneration	782 520	729 076
Backpay	-	7 196
Car Allowance	120 000	120 000
Cell Phone Allowance	27 400	14 400
Contributions to Medical and Pension Funds	54 539	54 681
Contribution to UIF and SDL	11 194	11 096
Annual Bonus	59 491	72 251
Contribution to Bargaining Council	105	99
N.P.A	30 000	30 000
Leave Pay	-	36 905
	1 085 249	**1 075 704**

Director Planning and Development

Annual Remuneration	645 257	961 304
Car Allowance	100 000	120 000
Contribution to medical & pension Fund	12 183	72 098
Cellphone allowance	20 400	10 000
Annual Bonus	63 038	81 218
Contribution to Bargaining Council	88	99
Contribution to UIF and SDL	10 934	12 692
Back Pay	-	14 310
Leave pay	148 187	-
	1 000 087	**1 271 721**

Remuneration of Chief Financial Officer

Annual Remuneration	428 766	852 716
Car Allowance	61 384	120 000
Contributions to Medical and Pension Funds	44 968	82 523
Contribution to UIF and SDL	5 997	10 947
Backpay	-	13 089
Contribution to Bargaining Council	53	99
Cellphone allowance	10 200	-
Leave pay	40 229	-
	591 597	**1 079 374**

Remuneration of Acting Chief Financial Officer

Deputy CFO	62 528	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Remuneration of Director of Community Services

Annual Remuneration	702 338	647 268
Backpay	-	8 865
Car Allowance	60 000	60 000
Contributions to Medical and Pension Funds	41 530	35 910
Cellphone allowance	25 000	3 000
Termination pmt - leave	-	57 845
Contribution to UIF and SDL	10 317	10 249
Contribution to Bargaining Council	105	99
Annual Bonus	36 415	45 574
	875 705	**868 810**

Remuneration of Director of Corporate Services (Resigned)

Annual Remuneration	-	61 966
Car Allowance	-	12 121
Contributions to Medical and Pension Funds	-	3 359
Termination pmt - leave	-	45 460
Annual bonus	-	36 147
Contribution to UIF and SDL	-	1 669
Contribution to Bargaining Council	-	8
NFMW	-	4 647
	-	**165 377**

Remuneration of Director of Corporate Services

Annual Remuneration	799 755	238 668
Car Allowance	61 804	32 544
Contributions to Medical and Pension Funds	-	3 282
Cellphone allowance	25 000	4 000
Contribution to Bargaining Council	105	33
Contribution to UIF and SDL	10 497	-
	897 161	**278 527**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Director Executive Support

Annual Remuneration	654 054	598 209
Car Allowance	108 000	113 463
Back Pay	-	8 912
Cellphone allowance	25 000	12 000
Contributions to Medical and Pension Funds	46 063	41 056
Annual Bonus	50 268	25 134
Contribution to UIF and SDL	10 512	8 681
Contribution to Bargaining Council	105	99
	894 002	**807 554**

Remuneration of Acting Municipal Manager

Director Excecutive Support	103 145	-

Director of Infrastructure

Annual Remuneration	634 702	567 556
Annual Bonus	48 349	32 048
Back Pay	-	10 186
Car Allowance	222 260	220 166
Contributions to Medical and Pension Funds	75 948	76 623
Cell Phone Allowance	25 000	12 000
Contribution to UIF and SDL	10 518	9 674
Contribution to Bargaining Council	105	99
	1 016 882	**928 352**

29. Remuneration of councillors

Mayor	909 155	874 060
Speaker	747 209	739 371
Executive Committee Councillors	3 349 651	4 008 792
Ordinary Councillors	17 954 385	16 574 043
Chief Whip	701 646	677 316
	23 662 046	**22 873 582**

In-kind benefits

The Mayor, Speaker, Chief Whip and three full time Exco councillors and seven part time Exco councillors. The three are provided with an office and secretarial support at the cost of the Council

It is certified in the accounting officer's report that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 30 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The additional disclosures as required by the Municipal Finance Management Act of 2004 as part of the MFMA disclosure note 51

Remuneration of Mayor

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
Car Allowance	214 868	206 603
Annual Remuneration	497 922	464 137
Contributions to Medical and Pension Funds	144 795	138 457
Backpay	-	13 633
SDL	7 170	6 830
Other - Data, cellphone, adjustments, parking and subscriptions	44 400	44 400
	909 155	**874 060**

Remuneration of Speaker

Car Allowance	171 894	189 033
Annual Remuneration	446 909	417 398
Contributions to Medical and Pension Funds	67 263	64 676
Backpay	-	11 977
SDL	5 695	5 424
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	55 448	50 864
	747 209	**739 372**

Remuneration of Executive Committee

Car Allowance	753 155	933 802
Annual Remuneration	1 896 544	2 274 997
Contributions to Medical and Pension Funds	344 309	334 675
Other - Data, cellphone, adjustments, parking, subsistence allowance and subscriptions	329 890	362 342
Backpay	-	71 499
SDL	25 752	31 477
	3 349 650	**4 008 792**

Remuneration of Chief Whip

Car Allowance	161 151	162 363
Annual Remuneration	381 338	357 003
Contributions to Medical and Pension Funds	100 700	94 942
Backpay	-	9 510
Other - Data, cell phone, adjustments, parking and subscriptions	52 984	48 291
SDL	5 473	5 206
	701 646	**677 315**

Remuneration of Ordinary Councilors

Car Allowance	3 844 136	3 662 317
Annual Remuneration	10 184 827	8 781 622
Contributions to Medical and Pension Funds	1 316 336	1 440 921
Back pay	-	301 384
Other - Data, cell phone, adjustments, parking and subscriptions	2 461 318	2 257 854
SDL	147 767	129 945
	17 954 384	**16 574 043**

30. Finance costs

Finance leases	2 796 740	281 020

Total interest expense, calculated using the effective interest rate of 13.25% on finance leases.

Notes to the Annual Financial Statements

Figures in Rand		2019	2018

31. Debt impairment

Contributions to debt impairment consumers		11 356 075	13 681 483
Contributions to debt impairment traffic fines		36 395 478	61 158 003
		47 751 553	**74 839 486**

32. Bulk purchases

Electricity		73 726 891	68 601 882

33. General expenses

Administration and management fees		777 858	843 262
Advertising		374 765	721 077
Assets expensed		2 990 119	33 150 395
Auditing - Internal audit fee		1 235 580	686 851
Auditors remuneration - Office of AG		4 097 311	3 503 678
Bank charges		634 443	640 737
Bursaries		95 068	-
Conferences and seminars		6 731 675	6 141 412
Consulting and professional fees		27 359 945	30 473 236
Consumables	9.1	4 909 073	4 268 751
Electricity Water and Refuse - Municipal Consumption		8 045 728	8 186 121
Entertainment		7 255	7 815
Foreign exchange differences		-	36 687
IT expenses		8 285 729	6 131 728
Insurance		5 588 104	5 278 200
Landfill site - additional interest landfill rehabilitation provision		1 707 120	1 476 113
Motor vehicle expenses		730 302	520 958
Operation of landfill site		379 738	2 062 733
Postage and courier		67 734	207 656
Printing and stationery		2 377 222	3 459 536
Remuneration to Ward Committees		3 652 000	3 644 000
SARS Adjustments		897 886	3 241 887
Security (Guarding of municipal property)		15 088 710	11 872 459
Staff welfare		943 293	974 903
Subscriptions and membership fees		317 294	1 140 956
Telephone and fax		3 962 078	6 150 546
Town planning - Valuation costs		135 000	421 870
Travel - Subsistance reimbursement		2 992 807	4 277 836
Uniforms		456 624	439 343
		104 840 461	**139 960 746**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

34. Operating lease Income

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	391 076	171 848
- in second to fifth year inclusive	1 342 476	782 821
- later than five years	1 170 972	1 024 795
	2 904 524	**1 979 464**

Revenue for the year included Rental income from facilities and equipment	**795 745**	**944 246**

35. Operating (deficit)/surplus

Operating (deficit)/surplus for the year is stated after accounting for the following:

Operating lease charges		
Plant and equipment		
• Contractual amounts	2 141 076	3 276 201
Lease rentals on operating lease - Other		
• Contractual amounts	2 630 922	4 597 140
	4 771 998	**7 873 341**

Gain (loss) on sale of property plant and equipment	197 765	(1 469 884)
Impairment on property, plant and equipment	261 844	630 188
Depreciation on property, plant and equipment	54 138 249	53 653 958
Employee costs	170 378 801	150 240 082

36. Cash generated from operations

Surplus/(deficit)	44 712 409	11 809 736
Adjustments for:		
Depreciation and amortisation	88 063 871	53 653 958
Loss/(Gain) on sale of assets and liabilities	(197 765)	1 469 884
Movements Landfill provision	(707 228)	2 019 251
Fair value adjustments - actuarial gains and losses	(3 947 195)	-
Assets expensed - non cash donations	2 869 565	33 040 836
Impairment deficit	261 844	630 188
Debt impairment	47 751 553	74 839 486
Landfill site - additional interest landfill rehabilitation provision	1 707 120	1 476 113
Movements in retirement benefit assets and liabilities	3 029 358	(799 440)
Movements in provisions	12 717	795 076
Deferred Income movement	(192 983)	(192 983)
Donations received	(41 272)	(9 573 190)
Fair Value Adjustments	(4 738 560)	379 419
Changes in working capital:		
Inventories	(2 916 349)	(126 190)
Receivables from exchange transactions	(2 721 128)	470 856
Consumer debtors	(20 211 810)	(17 998 046)
Receivables from non-exchange transactions	(50 565 540)	(59 746 532)
Payables from exchange transactions	7 161 143	14 712 332
VAT	964 499	6 387 371
Unspent conditional grants and receipts	22 834 934	(16 040 648)
Consumer deposits	133 952	(384 152)
Eskom security deposits	(832 937)	(773 865)
	132 430 198	**96 049 460**

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

37. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	45 246 131	8 116 790
Total capital commitments		
Already contracted for but not provided for	45 246 131	8 116 790

Total commitments

Total commitments		
Authorised capital expenditure	45 246 131	8 116 790

This committed expenditure relates to property, plant and equipment and will be financed by available grants, retained surpluses, existing cash resources and funds internally generated. The commitments disclosed amounts are VAT inclusive.

Finance leases - as lessee (expense)

Finance lease payments represent rentals payable by the municipality for its fleet. These rentals are negotiated for a three year term. No contingent rent is payable.

Minimum lease payments due		
- within one year	12 113 666	17 502 442
- in second to fifth year inclusive	14 655 540	35 004 885
	26 769 206	**52 507 327**

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	3 463 316	5 352 790
- in second to fifth year inclusive	6 531 153	10 222 348
	9 994 469	**15 575 138**

Operating lease payments represent rentals payable by the municipality for leased assets used in the day to day operations of the municipality. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

38. Contingent Liabilities

Litigation is in the process against the municipality relating to disputes with stakeholders. The estimate of the contingent liability is +/- R16 843 375.19 (June 2019), R 16 975 263.04 (June 2018).

The litigation matters for the year under review are detailed below as follows:

Rekhuditse Construction and Cleaning Services (Pty) Ltd

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is R1 700 409.14.

Mokgotso and others

Alleged irregular procedures; waiting for hearing date R150 000.

EMS Envirotel Energy Management (Pty) Ltd

In 2012 the Municipality appointed Maredi Telecoms &Broadcasting (Pty) Ltd to supply and install the Smart Metering in Groblersdal and Rossenekal Town. Maredi Telecom & Broadcasting (Pty) Ltd entered into a cession agreement with EMS Invirotel Energy management (Pty) Ltd, which cession was approved by the Municipality.

In April 2015, the Municipality wrote a letter informing the defendant that the contract has terminated in March 2015.

Therefore the defendant are challenging the termination of the said contract to be unlawful and they are claiming for damages as a result of breach of contract.

The total estimated claim is R12 067 629.75.

Maboe Rachidi

The Plaintiff Mr. Maboe Rachidi is suing the municipality for damages he suffered as a result of an alleged assault, the claim amounts to R 500 000.00.

Mtema Mashao Consulting Engineers (Pty) Ltd

The plaintiff is suing the municipality for loss of income and unpaid invoices for services rendered, the total estimated claim is R 225 336.30.

Koebill

The Municipality received a Letter of Demand (on the 3rd July 2017) from Koebill (Pty) Ltd demanding the Municipality to transfer of ownership of Erf70 Waalkraal Street, Extension 1 Groblersdal. In their letter of demand it was alleged that they bought the property mentioned above in 1994 and the payment of the purchase price.

The total estimated legal fees is R 300 000.00.

Mohlala Nixon

The applicant request that the matter be taken back to bargaining council under the new commissioner.

The total estimated legal fees is R 300 000.00.

Makuwa Haggie Frank/Tladi David & 2 others

On 12 September 2018, the Council took a resolution No: M18/19 -09 in that the Council appoint a Legal Representative from the Municipal Panel of Attorneys to represent the Speaker of Council and ward committee member during the civil claim lodged against them by the Plaintiff.

The total estimated legal fees is R 3000 000.00.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018

Elias Motsoaledi Local Municipality

Registration of Servitudes in favour of the municipality.

The total estimated legal fees is R 1 000 000.00.

Maredi

The municipal manager was suspended for financial misconduct.

The total estimated legal fees is R 300 000.00.

Contingent assets

Litigation is in progress in favour of the municipality relating to disputes with employees, members of the public and contractors/suppliers. The municipality is likely to receive an amount of +/- R 1 129 000.00. According to Council's legal advisors, it is probable that the proceedings will result in the recovery of the full amount.

Contingent asset for the year under review are detailed below as follows:

Maboe Rachidi

The municipality filed a plea and a counterclaim of R 100 000.00. It is the municipality's plea defence that on that day, the applicant was violent and he assaulted one of the traffic officers. The matter went on trial and the municipality managed to get a Default judgement and a Warrant of Execution was granted in favour of the Municipality.

The plaintiff made an urgent application praying that the Warrant of Execution be stayed and he afforded an opportunity to file a plea in respect of the counter claim.

YB Mashalaba & Associates Consultants CC & DR. Yandisa Bavulele Mashalaba

01 October 2014, the Municipality appointed the first defendant to establish a township at Portion 39 of Klipbank 26 JS. The defendant did not complete the project.

The total estimated claim is R 300 000.00.

Maredi

The municipal manager was suspended for financial misconduct.

The total estimated claim is R 320 000.00.

Maphochsgrone and Vlaklaagte Illegal dwellers

The Municipality appointed attorneys to obtain an eviction order against the Maphochsgrone and Vlaklaagte Illegal dwellers.

The total estimated legal fees is R 350 000.00.

39. Related parties

Relationships	
Accounting Officer	Refer to accounting officer's report note 29

Nature of related party transactions:

Remuneration of Councilors and Employee costs paid to councilors and s57 managers respectively during the year.

Related party transactions

	Note	2019	2018
Interest paid to (received from) related parties			
Councillors - Councillor remuneration		11 443 443	22 873 582
Post employment benefit plan for employees and/or other related parties	7	41 118 644	38 040 665
s57 Employees remuneration	28	3 429 659	6 475 417

40. Bids awarded to family of employees in service of state

In terms of SCM regulation – state that Awards to close family members of persons in the service of the state; sub-regulation - 45. State 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, including -
(a) the name of that person;
(b) the capacity in which that person is in the service of the state
(c) the amount of the award..

The following is a list as recorded:

No	***Date of Expenditure/ Award***	***Supplier Name***	***Director's Name***	***Name of person in service of state & Capacity***	***Amount***
01	03/08/2019 20/08/2018 20/08/2018 12/10/2018 30/11/2018 26/04/2019	Thabantsho Community Radio Station.	Gladys Mampuru (Board Member of TCRS)	Kenny Mampuru - Grader Operator	R556,575.00
02	*25/10/2018*	Kgethang Botse	Makgoale Retina Mohlala	Lekgowa David Mohlala (Department of Health)	R10,500.00
03	*03/08/2018* *20/08/2018* *20/08/2018* *29/10/2018* *29/10/2018* *11/02/2019* *15/02/2019* *02/05/2019* *01/08/2019*	Baupa Trading Enterprise	Precious Ratlou (Company Director)	Winter Ratlou Ward Councillor EMLM	R4,956,033.80

Notes to the Annual Financial Statements

Figures in Rand

04	*19/02/2019*	Morolong Funeral	Baganang Mohlala Herman Mafiri Godfrey Mafiri Solomon Mafiri Tapson Mafiri	Mafiri Lawrence Mafeefe Manager HR at e	R3000.00
05	*15/02/2019*	Thato Katlegong Trading	Veronicca Maepa	Mary Maepa IT Technician	R18,400.00
06	*25/02/2019*	24 7 Travel and Tourism	Dikeledi Bertha Ramphisa	Lebogang Ramphisa PA of Senior Manager Executive Support	R55,000.00
07	*04/04/2019*	Lonah Trading	Ramatsimela Ciliah Matshela	Masodi Monty Matshela (Nurse at Department of Health)	R28,500.00
08	*04/02/2019*	Going Places Construction	Kganebotse Joseph Mabelane	Leah Angie Mabelane (SAPS Employee)	R24,720.00
09	*30/07/2018* *18/09/2018* *03/06/2019*	Marage and Mmakanyane Trading	Mmakanyane Rebecca Mohlala	Kodishana Barnard Mohlala (Department of Health Employee)	R477,760.00
10	*10/10/2018*	DB Nkambule Business Enterprise	Dikeledi Bertha Ramphisa	Lebogang Ramphisa (Elias Motsoaledi Municipality Employee)	R127,500.00
11	*20/05/2019*	ATTI Polokwane	Lesego Millicent Tshivhula	Gladys Sebopela (Gauteng Department of Health Employee)	R195,200.00
12	*02/05/2019*	Alasca General Construction	Zacharia Lesetsa Mehlape	Mehlape Hlaole (Elias Motsoaledi Municipality Councillor)	R151,800.00

41. Prior period errors

The following prior year error was identified and adjusted retrospectively:

1. During 2017/2018 the municipality paid the licensing department for license renewals using cheque's and the cheque's became stale after six months as they were not deposited. Correction was made to reflect the amount as part of creditors.

2. Retention was restated after resolution BT 18/19-10. This was a result of retention being incorrectly written off.

3. EPWP salaries were incorrectly classified/mapped as General expenses - Community services - developmental and outreach programme during 2017/18 financial year, the expense was correctly classified as a prior period error to employee related costs - basic salaries.

4. Transfers and Subsidies - Pensioners Medical Funds were incorrectly mapped as Employee related costs - Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge , the correction was done to correctly mapp the expenditure as per number 4 below. The transactions were accurately captured on the financial system however it was only the disclosure that was not correct.

5. In prior year, Administration expenses were incorrectly disclosed and during the current year management decided to correct it as prior period error by reclassifying/re-mapping Administration expenses to general expenses - Administration and management fees.

6. **Non-Current Assets**

6.1 **Investment propertie**s

The property, erf 921 ext 16 Groblersdal was sold in 201516 financial year for R183 000.00 and was never transferred, the stand was fair valued at R238 073.00 at the time of purchase. This caused a decrease in the carrying value in 201617

6.2 **Solid Waste Infrastructure**

The weighbridge was brought in to the Fixed Asset register as a newly found during verification in 201617 at DRC while the project was still in Work in progress register. The project was completed by 30.06.2016 and was never transferred to the Fixed asset register and this resulted in an Increase cost of the asset equals to_R595 771.81

6.3 **Other PPE**

Assets not previously recorded in the Fixed Assets register and were found during verification were included in the Assets Fixed register at depreciated replacement cost as follows:

Furniture and office equipment_ R151 180.00, therefore an increase of R151 180.00
Other Machinery and Equipment_ R106385.78, therefore an increase of R106 385.78

6.4 **Infrastructure Assets**

There was also road infrastructure asset on the Land fill site project to the value of R211 228.20. it was also brought in the Fixed asset register and the asset adjusted accordingly resulting in an increase in cost by R211 228.20

An amount of R1 422 860.00 was omitted when the project Mathula road was being unbundled and committed to the FAR in 201718. The project was reversed on the AM system and we brought in the omitted payment, commit to the Fixed asset register and recalculated depreciation and other values, therefore an increase project cost and carrying values.

7. Interest and penalties on SARS PAYE was not correctly accounted for in previous financial years, a prior period error was done to correct the error by recognising the interest and penalties. General expenses - VAT Adjustments was renamed to General expenses - SARS Adjustments.

(The correction number is indicated in brackets next to the item adjusted. Brackets on amounts is for Credit adjustment and no brackets for Debit adjustment)

Statement of financial position	**June 2019**	**June 2018**
Accumulated surplus (2)	-	126 126
Payables from exchange transactions - Retentions (2)	-	(126 126)

Notes to the Annual Financial Statements

Figures in Rand

Property Plant and Equipment (6.2)	-	515 622
Cash and cash equivalents - Bank (1)	-	30 660
Payables from exchange transactions - Trade payables (6.2)	-	(515 622)
Payables from exchange transactions - Trade payables (1)	-	(30 660)
Payables from exchange transactions - Trade payables (7)	-	(1 792 168)
	-	**(1 792 168)**

Statement of Financial Performance		
General expenses - Community services - developmental and outreach programmes (3)	-	(1 460 906)
Employee related costs - basic salary (3)	-	1 460 906
Employee related costs - Post Employment Medical Aid Benefits and Long Service Leave - Current Service Charge (4)	-	(1 295 960)
Transfers and Subsidies - Post Employment Medical Aid Benefits Current Service Charge (4)	-	1 295 960
General expenses - Administration and management fees (5)	-	843 262
Administration (5)	-	(843 262)
General expenses - SARS Adjustments (7)	-	1 792 168
	-	**1 792 168**

As a result of prior period errors, the cash flow June 2018 was restated to reflect accurate figures.

42. Risk management

Capital risk management

The municipality's objectives when managing capital are to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality as disclosed in the cash and cash equivalents note, 14, and equity as disclosed in the statement of financial position.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

There are no externally imposed capital requirements.

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying requirements for service delivery funding, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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 municipality is able to cover the current and future commitments from available funds at a ratio of 0.76 times from the accumulated investment balances.

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

The municipality analyses the municipality’s financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. All items of financial liabilities are less than one year from settlement.

Interest rate risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

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

Financial instrument	December 2019	June 2018
Receivables - From Exchange Transactions	3 778 273	1 057 145
Receivables - From Non Exchange Transactions	32 306 320	18 136 258
Consumer Debtors - From Exchange Transactions	11 191 221	11 386 544
Consumer Debtors - From Non Exchange Transactions	22 621 681	13 566 068

43. 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.

44. Events after the reporting date

There were no material non-adjusting events after the reporting period.

45. Unauthorised expenditure

Opening balance	75 392 906	80 123 905
Write off by Counciil resolution no BT17/18-09	-	(80 123 905)
Incurred during the year	34 256 417	75 392 906
	109 649 323	**75 392 906**

46. Fruitless and wasteful expenditure

Opening balance	3 682 478	3 261 119
Incurred during the year	595 640	421 359
	4 278 118	**3 682 478**

Analysis of expenditure awaiting condonation per age classification

Current year	595 640	421 359
Prior years	3 682 478	3 261 119
	4 278 118	**3 682 478**

Details of fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest paid on late payments	To be submitted to Council in 2018/2019	883 166

47. Irregular expenditure

Opening balance - Adjusted and restated	167 142 387	84 524 414
Add: Irregular Expenditure - current year	49 832 896	82 617 973
	216 975 283	**167 142 387**

Notes to the Annual Financial Statements

Figures in Rand

Amounts disclosed above for Irregular expenditure are VAT exclusive.

Analysis of expenditure awaiting write off per age classification

Current year	-	82 617 973
Prior year	167 142 387	84 524 414
	167 142 387	**167 142 387**

Notes to the Annual Financial Statements

Figures in Rand

48. Additional disclosure in terms of Municipal Finance Management Act

Electricity distribution losses

Losses incurred - units			15 052 271	22 102 840
% loss incurred			20.000 %	29.650 %
Purchased units			(73 453 306)	(74 550 024)
Sold units			58 401 035	52 447 184
			-	-
(Profit)/Losses incurred - Rand value	-	-	(34 464 396)	14 505 057
% (Profit)/Losses loss incurred	-	-	64.000 %	29.810 %
Purchased units Rand value	-	-	(53 616 012)	(50 168 014)
Sold units Rand value	-	-	88 080 408	35 662 957
	-	-	-	-

The above losses are as a result of technical losses caused by the nature of electricity and the manner of its distribution, via the network, status / condition and age of the network, weather conditions and load on the system as well as non-technical losses, e.g. theft and vandalism, as a result the losses are not recoverable.

SALGA Fees

Prepayment for 2019/2020 year	1 725 941	-
Current year subscription / fee	314 271	1 300 690
Amount paid - current year	(1 979 804)	(1 235 656)
5% discount received	(60 408)	(65 034)
	-	-

5% discount was recived as a result of early payment of the invoice.

PAYE and UIF

Current year subscription / fee	24 198 337	20 812 207
Amount paid - current year	(24 198 337)	(20 812 207)
	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	34 906 356	32 856 576
Amount paid - current year	(34 906 356)	(32 856 576)
	-	-

VAT

VAT receivable	10 703 965	11 673 080

VAT output payables and VAT input receivables are shown in note 12.

All VAT returns have been submitted by the due date throughout the year. The municipality is registered on the cash basis and the timing of payments to/from SARS is at the end of each month.

Due to the accrual basis of accounting applied the amount disclosed for VAT include the total movement of VAT accounts. The basis includes a set of accounts that indicate the amount accrued for VAT in debtors and creditors separate from the amount receivable or owed to SARS. The basis of accounting does not lend itself to the separate disclosure of vat movement items. In terms of the prescribed guidelines only the nett VAT receivable or payable are disclosed.

The was no councilors arrear accounts outstanding for more than 90 days as at 30 June 2019:

Notes to the Annual Financial Statements

Figures in Rand

49. Deferred income

Operating lease payments received in advance	3 666 667	3 859 650

Operating lease payment received in advance have been utilized in accordance with the Municipal Finance Management Act. Sufficient resources are set aside to ensure that the liability can be serviced in the future.

50. 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.

Goods and services were procured through quotations totaling **R392 649.63** during the financial year under review and the process followed in procuring those goods and services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

The table below reflects deviations for the year.

NO	SERVICES PROVIDERS	DATE APPROVED BY MM	REASON	AMOUNT	
1	MATLALA MV	09/01/2019	Exceptional cases where it is impractical or impossible to follow official procurement processes	R	1 336
2	MEDIA 24	04/04/2019	Emergency	R	63 894
3	TISO BLACKSTAR GROUP	07/03/2019	Exceptional cases where it is impractical or impossible to follow official procurement processes	R	29 270
4	GOVERNMENT DIRECTORY OF SA	16/04/2019	Single provider, Exceptional cases where it is impractical or impossible to follow official procurement processes	R	49 611
5	HASQVARNA FOREST GARDEN CENTRE	14/02/2019	Single provider	R	10 075
6	MEDIA 24	09/01/2019	Exceptional cases where it is impractical or impossible to follow official procurement processes	R	50 715
7	TSA INTERNATIONAL	14/11/2018	Single provider	R	43 597
8	LEXIS NEXIS	10/09/2018	Exceptional cases where it is impractical or impossible to follow official procurement processes	R	95 532
9	INDALO YENKOSI	13/08/2018	Exceptional cases where it is impractical or impossible to follow official procurement processes	R	22 900
10	DUMITRI HOLDINGS	31/07/2018	Emergency	R	25 750
				R	**392 680**

51. Public Office Holders Remuneration

All Public Officers	Basic Salary	Travelling & Car Allowance	Other receip	Skills Contr	Medical Aid	Pension Fu	Grand Total

Notes to the Annual Financial Statements

Figures in Rand

Cllr CN MATHEBE	176 788	67 998	44 400	2 556		26 608	318 349
Cllr MD TLADI	446 909	182 942	44 400	5 695		67 263	747 209
Cllr TM PHAHLAMOHLAKA	381 338	169 735	44 400	5 473	43 288	57 412	701 646
Cllr A PHATLANE	397 656	181 034	44 400	5 435	24 522	59 860	712 907
Cllr AM MAKWEOANE	176 788	70 324	44 400	2 519		26 608	320 639
Cllr AM MALOBA	241 550	89 901	44 400	3 860	28 153		407 864
Cllr B BOGOPA	176 788	67 998	44 400	2 517		26 608	318 310
Cllr BM ZULU	176 788	74 140	44 400	2 523		26 608	324 458
Cllr EM MAPHOPHA	176 788	69 557	44 400	2 518		26 608	319 871
Cllr FM MOGOTJI	163 249	67 998	44 400	3 028	40 744		319 418
Cllr GD MATJOMANE	388 575	178 570	44 400	5 460	34 965	58 498	710 468
Cllr GM MAKEKE	176 788	82 356	44 400	2 528		26 608	332 680
Cllr GR NAMANE	176 788	68 169	44 400	2 518		26 608	318 482
Cllr H3 MAKUNYANE	406 687	159 545	44 400	5 216		61 209	677 058
Cllr J MAHLANGU	176 788	82 288	44 400	2 529		26 608	332 612
Cllr JL MATHEBE	497 922	214 868	44 400	7 170	69 825	74 970	909 155
Cllr JP KOTZE	269 703	89 901	44 400	3 860			407 864
Cllr KC SHAI	269 703	92 130	44 400	3 862			410 095
Cllr KF MADISA	226 879	87 264	44 400	3 105		34 147	395 794
Cllr KS KGOPA	176 788	75 441	44 400	2 523		26 608	325 760
Cllr LM MOIMA	176 788	67 998	44 400	2 517		26 608	318 310
Cllr M RANALA	203 992	67 998	44 400	3 028			319 418
Cllr MA MPHELA	176 788	70 509	44 400	2 519		26 608	320 824
Cllr MB NTULI	203 992	69 618	44 400	3 029			321 039
Cllr MG MOTLAFE	156 661	75 592	44 400	2 581	23 146	23 588	325 968
Cllr MG PHETLA	234 299	89 901	44 400	3 196		34 615	406 411
Cllr MK MOKWANE	176 788	71 506	44 400	2 520		26 608	321 821
Cllr ML MAMAKOKO	176 788	67 998	44 400	2 517		26 608	318 310
Cllr ML PHALA	203 992	75 696	44 400	3 034			327 122
Cllr MM MATSEPE	176 788	68 268	44 400	2 517		26 608	318 580
Cllr MN MALATJI	226 879	91 495	44 400	3 108		34 147	400 029
Cllr MNS OOSTHUIZEN	176 788	67 998	44 400	2 517		26 608	318 310
Cllr MP TSHIVHULA	176 788	72 806	44 400	2 521		26 608	323 123
Cllr MR MSIZA	226 879	87 264	44 400	3 105		34 147	395 794
Cllr MS MASHILO	233 735	98 635	44 400	3 193		35 179	415 142
Cllr MT MOHLALA	171 846	72 417	44 400	2 480		25 716	316 859
Cllr MT MOKGANYETSI	226 879	87 264	44 400	3 105		34 147	395 794
Cllr MT MOSOTHO	203 992	67 998	44 400	3 028			319 418
Cllr MW RAMPHISA	176 788	67 998	44 400	2 517		26 608	318 310
Cllr MZ BUTA							
Cllr MZ HLATHI	203 992	67 998	44 400	3 028			319 418
Cllr NN MAHLANGU	226 879	90 062	44 400	3 107		34 147	398 594
Cllr NT MATUNYANE	176 788	68 549	44 400	2 518		26 608	318 862
Cllr P MASIMULA	176 788	67 998	44 400	2 517		26 608	318 310
Cllr R ALBERTS	136 044	67 998	44 400	2 517	40 744	26 608	318 310
Cllr RJ MAKITLA	176 788	67 998	44 400	2 517		26 608	318 310
Cllr RM RATAU	176 788	68 944	44 400	2 518		26 608	319 257
Cllr RN NDLOVU	176 788	74 642	44 400	2 523		26 608	324 960
Cllr RSA KABINIE							
Cllr SH MEHLAPE	172 033	101 450	44 400	3 273	63 074	25 919	410 148
Cllr SM MAIPUSHE	176 788	68 783	44 400	2 518		26 608	319 096
Cllr SW RATLOU	226 879	97 847	44 400	3 114		34 147	406 386
Cllr SZ NGWENYA	203 992	69 650	44 400	3 029			321 071
Cllr TA MACHIPA	408 544	178 604	44 400	5 282		61 493	698 323
Cllr TA PHOROTLHOE	226 879	88 513	44 400	3 106		34 147	397 044
Cllr TJ NTULI							
Cllr TM NTHEKO	203 992	70 866	44 400	3 030			322 289
Cllr TN MMUTLE	233 735	89 901	44 400	3 185		35 179	406 400
Cllr TS MATSEPE	176 788	67 998	44 400	2 517		26 608	318 310
Cllr TT RATAU	176 788	76 060	44 400	2 524		26 608	326 379
Cllr VCP MADONDO	176 788	68 460	44 400	2 518		26 608	318 773
Cllr VL MTHOMBENI	203 992	69 450	44 400	3 029			320 871
Cllr VM LECHEKO	203 992	74 830	44 400	3 033			326 255
Cllr WJ SKHOSANA	176 788	73 140	44 400	2 521		26 608	323 456
	13 407 540	**5 380 844**	**2 708 400**	**191 858**	**368 459**	**1 604 945**	**23 662 045**