VOLUME II – ANNUAL FINANCIAL STATEMENTS

Midvaal Local Municipality
(Registration number - GT422)
Annual Financial Statements
for the year ended 30 June 2020

General Information

Legal form of entity	Municipality Municipal demarcation code - GT 422 - Governed by the MFMA (Act 56 of 2003)
Nature of business and principal activities	The main business operations of the municipality is to engage in local government activities, which includes planning and promotion of integrated development planning, land use management, economic and environmental development and supplying of the following services to the community. General Services - All types of services rendered by the municipality, excluding the supply of housing to the community. Waste Management Services - the collection and disposal of waste. Electricity Services - Electricity is bought in bulk from Eskom and distributed to the consumers of the municipality in licensed areas. Waste Water Management - Collection and purification of waste water. Water Services - Supply of purified water.
Executive Mayor	BM Baloyi
Councillors	**Speaker:** FW Peters **Chief Whip:** PC Pretorius **Mayoral Committee:** P Hutcheson-Pretorius L Parsonson HP Oosthuysen PJ Teixira MI Motsamai **Councillors:** J Mazibuko (Chairperson of MPAC) M Myburgh MC Kruger P Ramushu (Passed away on 15 May 2020) ML Modikeng MB Tabo MS Schoeman MGI Ngcobo JM Dlangamandla WF de Agrella MM Ndebele A Tsukudu TC Sikhosana SMA Janse van Rensburg MM Mahlangu J Mabaso (Passed away on 6 August 2020) MJ Mphasane CG Pypers S Muirhead B Hlengwa LTH Visser

General Information

Grading of local authority	Grade 4 Local Municipality - In terms of Remuneration of Public Office Bearers Act, Act 20 of 1998
Accounting Officer	NS Mhlanga (Appointed 1 May 2020) SM Mosidi (Acting 1 November 2019 - 30 April 2020)
Chief Financial Officer (CFO)	A Lambat (Appointed 17 June 2020) K Desai (Acting 1 July 2019 - 16 June 2020)
Registered office	25 Mitchell Street Meyerton Gauteng 1961
Postal address	PO Box 9 Meyerton 1960
Bankers	ABSA Bank Limited
Auditors	The Auditor-General of South Africa Registered Auditors
Attorneys	Panel of attorneys appointed for cost effectiveness: Cliffe Dekker Hofmeyer / Chiba Attorneys / Brain Blignaut Attorneys / Lizel Venter Attorneys / Mkhabela Huntley Adekeye Inc / Strauss Daily Attorneys / Moodie & Robertson / Selomo Attorneys / Meise Nkeiseng & Conveyancers / Douglas Bennett Attorneys / LNP Attorneys / Nozuku Nxusani Incorporated / Malherbe Rigg & Ranwell / POSWA Incorporated / Cheadle Thompson & Haysom Inc

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

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government, Finance, Audit and Risk Officers
IPSAS	International Public Sector Accounting Standards
DSACR	Department of Sports, Arts, Culture and Recreation
MFMA	Municipal Finance Management Act (Act 56 of 2003)
MIG	Municipal Infrastructure Grant
MPAC	Municipal Public Accounts Committee
ASB	Accounting Standards Board
SCM	Supply Chain Management
MPRA	Municipal Property Rates Act
SAPS	South African Police Service
DORA	Division of Revenue Act
SALGA	South African Local Government Association
MMC	Member of Mayoral Committee

Accounting Officer's Responsibilities and Approval

The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are 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 officers 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 are given unrestricted access to all financial records and related data.

The annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I, as the accounting officers acknowledge that I am 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 us to meet these responsibilities, we have set 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 operational 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.

I am 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.

I have reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future. An assessment to this effect has been confirmed by Gauteng Provincial Treasury, as an independant structure.

The annual financial statements are prepared on the basis that the municipality is a going concern and that Midvaal Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although, I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's senior management team, external auditors and other oversight governance structures of Council.

I would like to bring to your attention the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 40 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Governments determination in accordance with the Act.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented seperately.

The annual financial statements were prepared in-house for the first time, with the intention of building internal capacity and skill, and reviewed by Internal Audit, Gauteng Provincial Treasury, two external parties, several internal parties, and the Audit Committee.

The annual financial statements set out on pages 11 to 107, which have been prepared on the going concern basis, were approved and signed by the accounting officer:

Accounting Officer's Responsibilities and Approval

Accounting Officer
Ms. NS Mhlanga

Meyerton

Friday, 30 October 2020

Performance and Audit Committee Annual Report

The Chairperson of the Committee under section 4.3.2 of their charter is required to annually report to council by means of a report and /or in person summarising the activities, recommendations and decisions of the Committee during the previous financial year.

The Committee is delighted to table its annual report for the financial year ended 30 June 2020.

Performance and Audit Committee members' attendance of the meetings

The Committee consists of the five external non executive members listed hereunder and they are required to meet a minimum of at least four times per financial year.

Members Attendance

Audit Committee Meetings: 2019/2020 Financial Year

Members		26 Aug 2019	27 Sept 2019	22 Nov 2019	29 Nov 2019	02 Mar 20	26 Jun 20
Mr TN Ntho	Chairperson	Present	Present	Present	Present	Present	Present
Mrs MC Mokoena	Chairperson Risk Committee	Present	Present	Present	Present	Present	Apology
Mr FT Mpofu		Present	Present	Present	Present	Present	Present
Mr M Khendla		Present	Present	Present	Present	Present	Present
Mr H Maritz	Appointed 1 Dec 2019	N/A	N/A	N/A	N/A	Apology	Present

Performance and Audit Committee responsibility

The Committee complied with its responsibility to play an oversight role and reviewed the following:

1. Internal financial control and internal audits.
2. Risk management.
3. The adequacy, reliability and accuracy of financial reporting and information.
4. Accounting policies.
5. Performance management.
6. Effective governance.
7. Compliance with the MFMA, and any other relevant legislation.
8. Performance evaluation and
9. Any other issues referred to it by the Council.

The Committee also reports that it has adopted appropriate terms of reference in the form of the Performance and Audit Committee Charter. The Committee has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control and information and communication technology governance:

In compliance with MFMA and the recommendation from King 3 report on corporate governance requirements, Internal Audit provided the Committee and management with assurance that the internal controls are adequate and effective. This is achieved by means of the risk management process, as well as the identification of corrective action and suggested enhancements to the controls and processes.

Performance and Audit Committee Annual Report

The Committee has observed that the overall control environment of the Municipality has shown a significant improvement during the year under review. However some deficiencies were identified in the Information and Communication Technology Department. The Committee was impressed by management to improve some areas in that department, namely appointing the Director with good skills and expertise and revising the risks in that department.

The Council and Management committed to implement an action plan to address previously reported Auditor General and internal audit findings. This plan yielded the positive results that the Committee experienced in the past and current financial year.

Internal Audit

The Committee is satisfied that the Internal Audit plan represented a clear alignment with the key risks, has adequate information systems coverage, and a good balance across the different categories of audits; i.e. risk based, compliance, performance and follow-up audits.

The Committee has noted considerable improvement in the communication between the Senior Management, the AGSA and Internal Audit Services which has strengthened the co-operative governance initiatives within the Municipality.

The Committee is satisfied with the content and quality of quarterly reports prepared and issued by Internal Audit Services for the municipality during the year under review. However, the Committee wishes to stress the importance of the Internal Audit of the municipality to add more information in the reports, as it sometimes gave members difficulty to understand the reports tabled before them.

Risk Management

The Committee is proud to report the progress made on reviewing both strategic and operational risk registers, the follow-ups done on existing and emerging risks were on time and in most of the cases effective. The Committee can also attest to the existence of the functioning structures of the enterprise risk management, namely the appointed risk champions, the risk committee under the chairmanship of an independent member of Performance and Audit committee. The risk committee meets quarterly and immediately thereafter reports to the Performance and Audit committee.

Once again, the Committee recommends that the following be prioritised in the 2020/2021 financial year:

1. The risk appetite and risk tolerance of the Municipality be approved by Council.

2. Management to formalise a combined assurance framework policy and implementation plan.

3. The Municipality should also consider capacitating the unit with two more personnel to further enhance its value contribution.

Performance Management

1. The Committee did review and evaluate the implementation of the performance management system in order to find out if the system reflects the Municipality' purpose and objectives

2. The Committee did review and recommend on the use of appropriate targets and that in future the reviewed targets be costed accordingly to indicate the amount of the revised budget for those targets.

3. The Committee can proudly say the Municipality is always in compliance with the performance management and reporting systems.

The Committee did participate in the process of evaluating the performance of Senior Management through delegating it's Chairperson to form part of the Committee to evaluate. The attainment of the sixth unqualified report from the AGSA is a reflection of the outstanding performance of the management team. The Committee is honoured to play an oversight role with a team as dedicated as Midvaal Local Municipality's team of management and politicians.

The Committee believes that the departments performed absolutely well taking into consideration that there was a National State of Disaster declared and this did impact negatively on all municipalities.

The following result by all five departments is an indication of dedication towards best performance:

1. Corporate Services = 90%

Performance and Audit Committee Annual Report

2. Finance Services	=	69%
3. Development & Planning	=	77%
4. Community Services	=	55%
5. Engineering Services	=	69%

The overall 61% of the municipality is as a result of the above given input by the different departments.

The quality of quarterly reports submitted in terms of the MFMA and the Division of Revenue Acts

The Committee is satisfied with the content and quality of financial quarterly reports prepared and submitted by the Accounting Officer of the municipality during the year under review and confirms that the reports were in compliance with the statutory reporting framework.

Evaluation of the Annual Financial Statements

The Performance and Audit Committee has:

1. Reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report with the AGSA and the Municipal Manager.
2. Reviewed the audit report of the AGSA.
3. Reviewed the AGSA'S Management report and management's response thereto.
4. Reviewed the Municipality's compliance with legal and regulatory provisions and
5. Reviewed significant adjustments resulting from the audit.

The Committee concurs with and accepts the AGSA's conclusion on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the AGSA.

Anti-fraud and Anti-corruption sub-committee

The Municipality did well in trying to curb issues related to fraud and corruption by following the MFMA and its regulations which clearly stipulate that matters such as incurring unauthorised, irregular as well as fruitless and wasteful expenditure, possible abuse of SCM systems and allegations of financial misconduct should be investigated.

The Committee was impressed by the manner in which the Council took a decisive descision to bring the perpetrators to book. In some cases, the municipality did implement a recovery plan to recover the lost monies during the processes.

One-on-One Meeting with the Municipal Manager

The Committee has met with the Municipal Manager of the Municipality to address unresolved issues emanating from Internal Audit reports, revision of some policies especially from Human Resource services and the commitment to assist AGSA during the audit process.

One-on-One Meeting with the Executive Mayor

Both the chairperson of the Performance and Audit Committee as well as the Risk Committee had standing meetings with the Executive Mayor to address issues related to political direction of the Municipality in order that both chairs understand and could direct the committees in the right direction. The two chairs also apprised the Executive Mayor on the performance of the Municipality, and highlighted the value adding issues.

Auditor General of South Africa (AGSA)

The Performance and Audit Committee has met with AGSA to ensure that there are no unresolved issues between them and the management of the Municipality and tried also to strengthen the relations between the two parties without compromising the independance of the AGSA.

Performance and Audit Committee Annual Report

Chairperson's closing remarks

I would like to take this opportunity to thank the Municipality stakeholders who play an important role in the success of this Municipality. To the Council and all staff members for selfless sacrifices through the overtime and hard work they put in to attain clean audits, sincere gratitude. To my fellow Committee members for their ongoing support and commitment, I thank you. It is truly a pleasure to serve on a united Performance and Audit committee, who share the same values and objectives.

Progress is impossible without change and I believe that the changes in the past years have the basis for the future approach and better service delivery. You will continue to be the Municipality of choice and setting the benchmark in providing best service delivery and maintaining clean audits for all your communities.

Mr T.N. Ntho
Chairperson of the Performance and Audit Committee

Date: 29/10/2020

Accounting Officer's Report

The accounting officers submit their report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipal Demarcation Act, 1998 and operates in South Africa.

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

Net surplus of the municipality was R 83 241 997 (2019: surplus R 37 441 278).

2. Going concern

I draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 2 163 774 226 and that the municipality's total assets exceed its liabilities.

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

The municipality is in no way immune to the harsh economic realities as a result of the COVID-19 pandemic. As far as possible, the municipality factored in the effect of the lockdown levels had on its own economic environment. At this stage, the uncertaintystill remains as to how long the pandemic will remain and how long the economy will take to recover from the lockdown levels.

The municipality assessed the impact of the COVID-19 pandemic by comparing the financial indicators as follows:

	2019/20	**2018/19**
Cash available for working capital requirements	R 317 945 052	R 218 195 416
Current ratio (norm 2:1)	2.5:1	2.2:1
Cost coverage ratio (norm 3 months or more)	5.2 months	4.0 months
Creditors days (norm 30 days)	30 days	30 days
Debtors collection rate (95% or more)	91%	93%

The municipality has considered the impact of COVID-19 on the micro economy. When analysing the results of the ratios, it can be concluded that COVID-19 pandemic did have an adverse effect from the financial sustainability perspective. However, the results of the ratios are still reasonable within the norms. Therefore, the municipality has assessed that no going concern issues have been noted and that the municipality can continue in operational existence for the foreseeable future.

The global outlook remains bleak due to the speculation of a second wave. In its 12 month assessment, the municipality also considered the National Government MTREF which provides reasonable assurance that beyond own revenue, the municipality will still receive its grant allocations from National Treasury in line with DoRA. Furthermore, the 4th quarter performance of the reporting period, at the height of the lockdown and three months performance into the new financial year provides reasonable assurance that the municipality will still be able to meet its financial obligations as and when they become due.

3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year, that may need to be adjusted for or disclosed in the Annual Financial Statements.

The national state of disaster has been extended until 15 November 2020. The financial impact has been assessed and disclosed. Other than the COVID-19 pandemic, the municipality had no other significant events after statement of financial position date.

Accounting Officer's Report

4. Accounting policies

The annual financial statements are prepared in accordance with the South African Statements of Generally Recognised Accounting Practices (GRAP), including any interpretations of such Statements issued by the Accounting Practices Board and the Accounting Standards Board as the prescribed framework by National Treasury.

5. Integrity management

Council has a very strong attitude towards legislative compliance, specifically supply chain management principles, and also the proper functioning of the Performance and Audit Committee, without councillor and/or political interference. Where required, the matters are reported to the relevant external authorities for further investigation. The appropriate and relevant consequence management is also instituted, as and when required.

The reviewed Integrity Management Policy has been approved by Council on 27 August 2020. The revision of the policy included the:

1. Disciplinary Regulations for Senior Managers, 2010;

2. Public Administration Management Act, Act 11 of 2014 (C2168/10/2019 dated 31 Oct 2019).

Council's stance on fraud and corruption is zero tolerance and in line with this, the efficient application of instructions contained in the policies and procedures of Midvaal, is one of the most important duties to be applied by every employee in the execution of their daily tasks.

The main principles of this Plan includes the following:

1. Creating a culture which is ethical and intolerant to fraud and corruption;

2. Deterrence of fraud and corruption;

3. Preventing fraud and corruption which cannot be deterred;

4. Detection of fraud and corruption;

5. Investigating detected fraud and corruption;

6. Taking appropriate action in the event of such irregularities, e.g. disciplinary action (consequence management), recovery of losses, to the extent required, and prosecution;

7. Applying sanctions, that includes blacklisting and prohibition from further employment.

The components of the Plan include:

1. Focus on the organisation;

2. Focus on employees;

3. Focus on other stakeholders;

4. Enforcement;

5. Implementation.

All staff, including senior management and councillors, are obliged to declare specific personal assets and private business interests on an annual basis, such as:

1. Shares and other financial interests (not bank accounts with financial institutions);

2. Directorships and partnerships (also those held by the spouse and close family members);

3. Remunerated work outside of the municipality;

Accounting Officer's Report

4. Consultancies and retainerships;
5. Sponsorships;
6. Gifts and hospitality from a source other than a family member (exceeding the value of R350 over a 12 month period);
7. Land and property registered in their name;
8. Vehicle(s) owned (registered) in their name;
9. Participation in elections.

The status of reported cases is as follows:

1. 2018/2019

Total Number of Cases reported	30
Total Number of Cases resolved	22
Total Number of Cases pending	8

(73% resolved)

2. 2019/2020

Total Number of Cases reported	31
Total Number of Cases resolved	26
Total Number of Cases pending	5

(84% resolved)

Pending Cases:	5
Under investigation	2
SAPS	3

The primary transgressions are summarized as follows:

1. Transgression of the Code of Conduct for Municipal Staff Members;
2. Tampering/Illegal electricity connections;
3. Tender irregularities;
4. Intimidation & victimisation;
5. Theft & bribery;
6. Illegal land invasion;
7. Misuse/Abuse of council vehicles.

The relevant remedial actions, according to Council’s Policies, were initiated, i.e. disciplinary action and criminal prosecution. Management reviewed controls and internal audit tested the effectiveness of the controls in order to prevent recurrence. Matters reported to external authorities for further investigations in line with the MFMA are therefore removed from the control of the municipality.

Accounting Officer's Report

6. Accounting Officer

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

Name	Nationality	Changes
NS Mhlanga	South African	Appointed Friday, 01 May 2020
ASA de Klerk	South African	Resigned Friday, 01 November 2019
SM Mosidi (Acting)	South African	

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Cash and cash equivalents	3	400 046 962	292 899 588
Receivables from exchange transactions	4&5	102 802 699	107 758 180
Receivables from non-exchange transactions	6&5	85 132 360	73 133 588
VAT receivable	7	15 345 602	19 017 220
Inventories	8	13 827 049	14 260 130
		617 154 672	**507 068 706**
Non-Current Assets			
Property, plant and equipment	9	1 966 920 064	1 999 024 939
Investment property	10	44 322 574	45 950 574
Intangible assets	11	3 428 951	2 231 401
Heritage assets	12	18 701	18 701
		2 014 690 290	**2 047 225 615**
Total Assets		**2 631 844 962**	**2 554 294 321**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	13	163 619 862	171 910 225
Long-term loans	14	26 602 361	24 022 718
Unspent conditional grants	15	20 037 572	11 852 513
Consumer deposits	16	18 530 508	17 315 592
Income received in advance for developer contribution	17	8 867 783	-
Finance lease obligation	18	6 978 651	7 623 583
		244 636 737	**232 724 631**
Non-Current Liabilities			
Long-term loans	14	138 432 256	143 534 617
Provisions	19	53 196 555	62 851 659
Employee benefit obligation	20&21&22	17 386 000	15 761 847
Finance lease obligation	18	14 419 188	18 889 336
		223 433 999	**241 037 459**
Total Liabilities		**468 070 736**	**473 762 090**
		2 163 774 226	**2 080 532 231**
Accumulated surplus		2 163 774 226	2 080 532 231

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	669 531 001	657 266 365
Interest income	24	40 685 534	31 155 118
Operational revenue	25	6 426 695	5 002 846
Sale of goods and rendering of services	26	4 720 077	4 268 774
Rental of facilities and equipment		1 213 813	1 323 509
Total revenue from exchange transactions		**722 577 120**	**699 016 612**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	242 116 838	213 757 871
Transfer revenue			
Government grants & subsidies	28	218 448 625	173 276 156
Fines, penalties and forfeits	30	38 077 588	44 424 663
Developers' contributions	29	10 461 993	24 710 457
Total revenue from non-exchange transactions		**509 105 044**	**456 169 147**
Total revenue	31	**1 231 682 164**	**1 155 185 759**
Expenditure			
Bulk purchases	32	(432 679 400)	(388 222 745)
Employee related costs	33	(277 572 382)	(268 434 691)
Depreciation and amortisation	34	(130 380 939)	(136 053 737)
Contracted services	35	(107 575 781)	(105 521 778)
Debt Impairment	36	(86 917 754)	(115 670 961)
Operating cost	37	(51 516 255)	(54 447 781)
Finance costs	38	(18 567 935)	(18 320 393)
Inventory - consumed	39	(15 435 317)	(17 036 975)
Remuneration of councillors	40	(12 970 368)	(12 459 701)
Loss on disposal of assets		(13 320 447)	(821 848)
Transfers and subsidies	41	(1 301 437)	(593 237)
Inventories losses/write-downs		(202 152)	(160 634)
Total expenditure		**(1 148 440 167)**	**(1 117 744 481)**
Surplus for the year		**83 241 997**	**37 441 278**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**2 043 090 953**	**2 043 090 953**
Changes in net assets		
Surplus for the year	37 441 278	37 441 278
Total changes	37 441 278	37 441 278
Opening balance as previously reported	2 080 200 509	2 080 200 509
Adjustments		
Prior year adjustments (Note 48)	331 720	331 720
Restated* Balance at 01 July 2019 as restated*	**2 080 532 229**	**2 080 532 229**
Changes in net assets		
Surplus for the year	83 241 997	83 241 997
Total changes	83 241 997	83 241 997
Balance at 30 June 2020	**2 163 774 226**	**2 163 774 226**

Note(s)

* See Note 48

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from ratepayers, government and other		546 710 407	332 883 172
Cash receipts from services / charges		664 404 320	657 266 364
Interest income		21 721 257	18 750 717
		1 232 835 984	1 008 900 253
Payments			
Employee costs		(288 918 597)	(279 698 881)
Suppliers		(698 561 826)	(506 652 451)
Finance costs		(18 567 935)	(14 986 490)
		(1 006 048 358)	(801 337 822)
Net cash flows from operating activities	42	**226 787 626**	**207 562 431**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(117 384 042)	(119 383 299)
Proceeds from sale of property, plant and equipment	9	3 590 728	112 194
Proceeds from sale of investment property	10	2 188 338	-
Purchase of intangible assets	11	(397 478)	(1 209 383)
Net cash flows from investing activities		**(112 002 454)**	**(120 480 488)**
Cash flows from financing activities			
Long-term loans raised		21 500 000	21 900 000
Long-term loans repaid		(24 022 718)	(20 657 274)
Finance lease repayments		(8 209 902)	(8 751 075)
Finance lease raised		3 094 822	11 341 906
Net cash flows from financing activities		**(7 637 798)**	**3 833 557**
Net increase/(decrease) in cash and cash equivalents		**107 147 374**	**90 915 500**
Cash and cash equivalents at the beginning of the year		292 899 588	201 984 088
Cash and cash equivalents at the end of the year	3	**400 046 962**	**292 899 588**

* See Note 48

Midvaal Local Municipality
(Registration number Midvaal Local Municipality - GT422)
Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Sale of goods	5 662 319	987 828	**6 650 147**	4 720 077	**(1 930 070)**	Decline in economic activity as a result of COVID.
Service charges	694 370 946	915 110	**695 286 056**	669 531 001	**(25 755 055)**	
Rental of facilities and equipment	1 420 953	-	**1 420 953**	1 213 813	**(207 140)**	Decline in economic activity as a result of COVID.
Operational revenue	4 283 747	4 392 172	**8 675 919**	6 426 695	**(2 249 224)**	Decline in economic activity as a result of COVID.
Interest income	21 565 444	14 003 685	**35 569 129**	40 685 534	**5 116 405**	Cash invested for longer periods due to COVID
Total revenue from exchange transactions	**727 303 409**	**20 298 795**	**747 602 204**	**722 577 120**	**(25 025 084)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	222 421 542	17 310 474	**239 732 016**	242 116 838	**2 384 822**	
Transfer revenue						
Government grants & subsidies	236 248 506	20 481 127	**256 729 633**	218 448 625	**(38 281 008)**	Due to reprioritisation of projects in line with COVID
Developers' contributions	3 950 000	(580 000)	**3 370 000**	10 461 993	**7 091 993**	No control over private developers timelines
Fines, penalties and forfeits	50 352 688	(9 173 259)	**41 179 429**	38 077 588	**(3 101 841)**	Decline in traffic movement due to the Lockdown
Total revenue from non-exchange transactions	**512 972 736**	**28 038 342**	**541 011 078**	**509 105 044**	**(31 906 034)**	
Total revenue	**1 240 276 145**	**48 337 137**	**1 288 613 282**	**1 231 682 164**	**(56 931 118)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Expenditure						
Personnel	(319 874 728)	(1 422 655)	**(321 297 383)**	(277 572 382)	**43 725 001**	Staggered approach in filling vacancies.
Remuneration of councillors	(12 389 536)	(1 246 766)	**(13 636 302)**	(12 970 368)	**665 934**	
Depreciation and amortisation	(123 106 310)	50 000	**(123 056 310)**	(130 380 939)	**(7 324 629)**	
Finance costs	(21 546 697)	616 559	**(20 930 138)**	(18 567 935)	**2 362 203**	Additional leases taken up.
Debt impairment	(91 750 853)	(159 034)	**(91 909 887)**	(86 917 754)	**4 992 133**	
Bulk purchases	(418 041 531)	(39 730 718)	**(457 772 249)**	(432 679 400)	**25 092 849**	
Contracted services	(140 222 992)	12 690 360	**(127 532 632)**	(107 575 781)	**19 956 851**	Strict perfomance monitoring of contractors.
Transfers and subsidies	(586 520)	(805 500)	**(1 392 020)**	(1 301 437)	**90 583**	
Inventory consumed	(15 722 165)	(5 259 176)	**(20 981 341)**	(15 435 317)	**5 546 024**	Cost containment measures.
Operating cost	(65 583 347)	(15 808 513)	**(81 391 860)**	(51 516 255)	**29 875 605**	Cost containment measures.
Total expenditure	**(1 208 824 679)**	**(51 075 443)**	**(1 259 900 122)**	**(1 134 917 568)**	**124 982 554**	
Operating surplus	**31 451 466**	**(2 738 306)**	**28 713 160**	**96 764 596**	**68 051 436**	
Loss on disposal of assets	-	-	**-**	(13 320 447)	**(13 320 447)**	Asset register review.
Inventories losses/write-downs	-	-	**-**	(202 152)	**(202 152)**	Line item not budgeted for, immaterial difference.
	-	**-**	**-**	**(13 522 599)**	**(13 522 599)**	
Surplus before taxation	**31 451 466**	**(2 738 306)**	**28 713 160**	**83 241 997**	**54 528 837**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**31 451 466**	**(2 738 306)**	**28 713 160**	**83 241 997**	**54 528 837**	

Reconciliation

Midvaal Local Municipality

(Registration number Midvaal Local Municipality - GT422)
Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	9 501 015	494 053	**9 995 068**	13 827 049	**3 831 981**	Less inventory issued due to COVID.
Receivables from exchange transactions	107 301 480	5 579 677	**112 881 157**	102 802 699	**(10 078 458)**	Less consumption by business
Receivables from non-exchange transactions	60 370 435	3 139 263	**63 509 698**	85 132 360	**21 622 662**	Economic crisis affected payment level
VAT receivable	19 398 698	1 008 732	**20 407 430**	15 345 602	**(5 061 828)**	Input VAT less due to lockdown
Cash and cash equivalents	210 852 503	11 765 787	**222 618 290**	400 046 962	**177 428 672**	Reserves & surpluses
	407 424 131	**21 987 512**	**429 411 643**	**617 154 672**	**187 743 029**	
Non-Current Assets						
Investment property	46 569 574	-	**46 569 574**	44 322 574	**(2 247 000)**	
Property, plant and equipment	2 044 145 679	29 890 363	**2 074 036 042**	1 966 920 064	**(107 115 978)**	
Intangible assets	1 027 204	200 000	**1 227 204**	3 428 951	**2 201 747**	Servitudes related to developer contributions
Heritage assets	18 701	-	**18 701**	18 701	**-**	
	2 091 761 158	**30 090 363**	**2 121 851 521**	**2 014 690 290**	**(107 161 231)**	
Total Assets	**2 499 185 289**	**52 077 875**	**2 551 263 164**	**2 631 844 962**	**80 581 798**	
Liabilities						
Current Liabilities						
Long-term loans	27 867 811	(2 106 748)	**25 761 063**	26 602 361	**841 298**	
Finance lease obligation	8 586 565	-	**8 586 565**	6 978 651	**(1 607 914)**	Delivery of vehicles delayed
Trade and other payables from exchange transactions	129 548 743	19 736 534	**149 285 277**	163 619 862	**14 334 585**	
Consumer deposits	18 136 145	943 079	**19 079 224**	18 530 508	**(548 716)**	
Unspent conditional grants	-	-	**-**	20 037 572	**20 037 572**	Spending affected due to lockdown
Income received in advance for developer contribution	-	-	**-**	8 867 783	**8 867 783**	Spending affected due to lockdown
	184 139 264	**18 572 865**	**202 712 129**	**244 636 737**	**41 924 608**	
Non-Current Liabilities						
Long-term loans	134 333 572	9 201 045	**143 534 617**	138 432 256	**(5 102 361)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Finance lease obligation	15 506 557	3 113 751	**18 620 308**	14 419 188	**(4 201 120)**	Delivery of vehicles delayed
Employee benefit obligation	17 148 608	(1 386 761)	**15 761 847**	17 386 000	**1 624 153**	
Provisions	51 312 116	11 539 543	**62 851 659**	53 196 555	**(9 655 104)**	Lower interest rates resulted in lower actuarial valuations
	218 300 853	**22 467 578**	**240 768 431**	**223 433 999**	**(17 334 432)**	
Total Liabilities	**402 440 117**	**41 040 443**	**443 480 560**	**468 070 736**	**24 590 176**	
	2 096 745 172	**11 037 432**	**2 107 782 604**	**2 163 774 226**	**55 991 622**	
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	2 096 745 172	11 037 432	**2 107 782 604**	2 163 774 226	**55 991 622**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from ratepayers, government and other	432 067 540	131 549 743	**563 617 283**	546 710 407	**(16 906 876)**	Due to COVID-19
Cash receipts from services / charges	694 370 948	(4 210 858)	**690 160 090**	664 404 320	**(25 755 770)**	
Interest income	13 736 434	5 852 347	**19 588 781**	21 721 257	**2 132 476**	Investments held for longer periods during COVID-19
	1 140 174 922	**133 191 232**	**1 273 366 154**	**1 232 835 984**	**(40 530 170)**	
Payments						
Employee costs	(319 874 745)	(1 422 638)	**(321 297 383)**	(288 918 597)	**32 378 786**	
Suppliers	(643 228 172)	(116 530 738)	**(759 758 910)**	(698 561 826)	**61 197 084**	Cost containment
Finance costs	(21 546 695)	616 557	**(20 930 138)**	(18 567 935)	**2 362 203**	Loans taken up later in the year
	(984 649 612)	**(117 336 819)**	**(1 101 986 431)**	**(1 006 048 358)**	**95 938 073**	
Net cash flows from operating activities	**155 525 310**	**15 854 413**	**171 379 723**	**226 787 626**	**55 407 903**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(135 183 831)	(18 093 476)	**(153 277 307)**	(117 384 042)	**35 893 265**	Projects delayed due to COVID-19
Proceeds from sale of property, plant and equipment	-	-	**-**	3 590 728	**3 590 728**	
Proceeds from sale of investment property	-	-	**-**	2 188 338	**2 188 338**	
Purchase of other intangible assets	-	-	**-**	(397 478)	**(397 478)**	
Net cash flows from investing activities	**(135 183 831)**	**(18 093 476)**	**(153 277 307)**	**(112 002 454)**	**41 274 853**	
Cash flows from financing activities						
Long-term loans raised	21 500 000	-	**21 500 000**	21 500 000	**-**	
Repayment of long-term loans	(26 779 841)	-	**(26 779 841)**	(24 022 718)	**2 757 123**	
Finance lease repayments	(9 306 788)	-	**(9 306 788)**	(8 209 902)	**1 096 886**	
Finance leases raised	8 250 000	-	**8 250 000**	3 094 822	**(5 155 178)**	Delivery of vehicles delayed
Net cash flows from financing activities	**(6 336 629)**	**-**	**(6 336 629)**	**(7 637 798)**	**(1 301 169)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Net increase/(decrease) in cash and cash equivalents	14 004 850	(2 239 063)	**11 765 787**	107 147 374	**95 381 587**	
Cash and cash equivalents at the beginning of the year	196 847 654	14 004 849	**210 852 503**	292 899 588	**82 047 085**	
Cash and cash equivalents at the end of the year	**210 852 504**	**11 765 786**	**222 618 290**	**400 046 962**	**177 428 672**	

Reconciliation

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period, except for the changes set out below:

Changes in accounting policies, changes in estimates and errors - Accounting policies have been consistently applied, except where otherwise indicated. The details of any resulting changes in the accounting policy and comparative restatements are set out below and in the relevant notes to the annual financial statements

Standards that are not yet effective are included in note 2.1. New standards are listed in note 2.

The municipality changes an accounting policy only in the following instances:

- If it is required by a Standard of GRAP; or
- If it results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the municipality's financial position, financial performance or cashflow.

Changes in accounting policies that are affected by management are applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which a retropective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements, where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases, the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable. Refer to note 48 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

1.1 Presentation currency

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

All figures are rounded to the nearest Rand, unless specified otherwise.

No foreign exchange transactions are included in the statements.

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.

Accounting Policies

1.3 Materiality

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

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

1.4 Significant judgements and sources of estimation uncertainty

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

Receivables

The municipality assesses its receivables for impairment at the end of each reporting period. The municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for receivables is considered first for individually significant receivables and then calculated on a portfolio basis, for the remaining balance, including those individually significant receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the receivables.

Allowance for slow moving, damaged and obsolete inventory

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

Fair value estimation

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

Accounting Policies

1.4 (continued)

Impairment testing

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of cash generationg 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 liabilties. The recoverable amounts of cash-generating units and individual asset have been determined based on the higher of value in use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted cash-flow projected assumption may change, which may then impact our estimations, and may then require a material adjustment to the carrying value of assets.

Expected future cash flows used to determine the value in use of assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. The provision is discounted when the time value of money is material. Provisions are discounted when the time value of money is material, Additional disclosure of these estimates of provisions are included in note 19 - (Refer also to accounting policy 1.18).

The provision for staff leave is based on accrued leave at year-end. The uncertainty is when the leave will be taken or if employment is terminated.

Prepaid electricity

Pre-paid electricity is only recognised as electricity is consumed. The estimate is based on pre-paid electricity sold at year-end, but still unused.

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets, and whether the assets will be sold or used to the end of their economic lives and the condition at the time. The municipality considers all facts and circumstances estimating the useful lives of assets, which includes the consideration of financial, technical and other facts. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease depreciation charge where useful lives are more than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement and other long-term benefit 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 and long term benefit obligations.

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

Other key assumptions for post retirement and other long-term benefits are based on current market conditions. Additional information is disclosed in note 20, 21 and note 22.

Effective interest rate

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

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

At initial recognition, the municipality measures investment property at cost, including transaction costs, once it meets the definition of investment property. Where an investment property was acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

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

Cost model

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

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset are depreciated separately.

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

Item	**Useful life**
Property - land	indefinite

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

Gains or losses arising from the retirement or disposal of investment property 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.

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

1.6 Property, plant and equipment

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

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Accounting Policies

1.6 (continued)

Cost also includes initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. 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.

Where an item of property, plant and equipment is acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the 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 its 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.

Subsequent cost is capitalised when the recognition and measurement criteria of an asset are met.

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.

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

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

Property, plant and equipment is subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. The measurement and recognition of impairment loss is indicated in accounting policy 1.14 and 1.15.

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

The municipality depreciates separately each part of an item of property, plant and equipment that has a cost that is significant in relation to the total cost of the item. Costs of replacing parts are capitalised and the existing parts being replaced are derecognised. Depreciation is calculated using the straight-line method, over the estimated useful lives of the assets.

The depreciation rates are based on the following estimated useful lives:

Item	Average useful life
Land	Indefinite
Machinery and equipment	
• Office quipment	3 - 10
• Bins and containers	5 - 10
Furniture and fittings	10
Motor vehicles	
• Specialised vehicles	10 - 30
• Other vehicles	5
• Vehicles	5
IT equipment	3 - 10
Infrastructure	
• Buildings	30
• Roads and paving	3 - 50
• Electricity	3 - 60
• Water	5 - 55
• Sewerage	10 - 60
• Landfill site	17

1.6 (continued)

Community	Straight line	
• Buildings		30
• Recreational facilities		20 - 30
• Security		5
Other assets		
• Buildings		30
Motor vehicles leased		5
• Vehicles		5

The asset management policy contains the details of the components and their specific useful life estimates.

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

At each reporting date all items of property, plant and equipment are reviewed for any indication that it may be impaired. An impairment exists when an assets' carrying amount is greater than its recoverable amount or recoverable service amount. 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 on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal and the carrying value and is recognised in the statement of financial performance.

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.

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

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

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

1.7 Site restoration and dismantling cost

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

If the related asset is measured using the cost model:

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

Accounting Policies

1.8 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. Intangible assets are identifiable resources controlled by the municipality from which the municipality expects to derive future economic benefits or service potential. The municipality has classified computer software and servitudes as intangibles assets as disclosed in note 11.

An asset is identifiable if it either:

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

The municipality recognises an intangible asset in its statement of financial position only 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 municipality can measure the cost or fair value of the asset reliably.

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

The municipality assesses at each reporting date whether there is any indication that the municipality's expectation 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.

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

The municipality does not have internally generated intangible assets.

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

Amortisation is provided to write down the intangible assets to their residual values. The amortisation charge for each period is recognised in surplus or deficit. Amortisation begins when the asset is available for use.

An intangible asset with an indefinite useful life shall not be amortised.

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

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

The municipality reviews the amortisation method, useful lives and residual values of intangible assets annually. The estimated useful lives are as follows:

Item		Average useful life
Computer software		3 - 5 years
Servitudes	Straight line	Indefinate

Intangible assets 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 on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Heritage assets

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.

Accounting Policies

1.9 (continued)

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.

When the municipality holds a heritage asset, but on initial recognition it does not meet the recognition criteria because it cannot be reliably measured, information of such heritage asset is disclosed in the note 12 - Heritage assets.

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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. The measurement and recognition of impairment loss is indicated in accounting policy 1.14 and 1.15.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage assets 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.

Compensation from third parties

Compensation from third parties for a heritage asset that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable

Repairs and maintenance ater derecognition

Repairs and maintenance after derecognition

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the annaul financial statements.

1.10 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.

A financial asset is:
- cash; or
- a residual interest of another municipality; or
- a contractual right to:

1.10 (continued)

i. receive cash or another financial asset; or
ii. exchange financial assets or financial liabilities under conditions that are potentially favourable to the municipality.

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost

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

Class	Category
Long-term liabilities / external loans	Financial liability measured at amortised cost
Trade and other payables from exchange transections	Financial liability measured at amortised cost
Finance lease obligations	Financial liability measured at amortised cost
Consumer deposits	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 comes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

1.10 (continued)

Subsequent measurement of financial assets and financial liabilities

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

- Financial instruments at amortised cost.

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

Discounting of short-term receivables and payables

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

1.10 (continued)

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

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

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

1.11 Statutory receivables

Identification

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

Recognition

The municipality recognises statutory receivables as follows:
- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:
- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

Other charges

Accounting Policies

1.11 (continued)

Where the municipality is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the municipality applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

Impairment losses

The municipality assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses are recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The municipality derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 municipality:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The municipality considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 Leases

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

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately. The leased assets are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses.

1.12 (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

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

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

1.13 Inventories

Inventories are assets in the form of materials or supplies to be consumed or distributed in the rendering of services or held for distribution in the ordinary course of operations.

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably.

Inventories are initially recognised at cost. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Where inventories are acquired through a non-exchange transaction, their cost is measured at their fair value as at the date of acquisition.

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.

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.

Inventories are subsequently measured at the lower of cost and net realisable value unless distributed through a non-exchange transaction or consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset. The cost of inventories is assigned by using the first-in, first-out (FIFO) formula, except for water which is determined at cost at the reporting date due to it being measured at reporting date.

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.

1.13 (continued)

Redundant and slow-moving inventories are identified and written down/written off. Inventories identified for write down/write off, but for which a council resolution to authorise the write down/write off, has not yet been obtained, are provided for as a provision for obsolete stock. Differences arising on the valuation of inventory are recognised in the statement of financial performance in the year in which they arise.

1.14 Impairment of cash-generating assets

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

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

The municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. All other assets are classified as non-cash-generating assets.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

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.

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

1.14 (continued)

- 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 municipality operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

1.14 (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

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 municipality estimates the recoverable amount of that asset.

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

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

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

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

1.14 (continued)

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

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

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

Redesignation

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

1.15 Impairment of non-cash-generating assets

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

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

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

- Assets acquired by the municipality are mainly used as per the municipality's mandate for service delivery purposes to customers that pay for the services but also indigents. As the assets that are used for service delivery are similar, assets that generate cash flows cannot be distinguished from the non-cash generating assets and therefore are distinguished as non-cash generating.
- In the event that the assets that generate cash flows can be clearly identified the assets will be designated as cash-generating.

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Impairment is a loss in the 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).

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.

1.15 (continued)

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

Reversal of an impairment loss

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

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

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

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

Accounting Policies

1.16 Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

The notes to the annual financial statements of a municipality 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.

1.17 Employee benefits

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

Short-term employee benefits

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

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

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

Post-employment benefits

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

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

Post-employment benefits: Defined benefit plans

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

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

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

Accounting Policies

1.17 (continued)

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

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

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

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality’s informal practices.Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.17 (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

The municipality provides post-retirement health care benefits upon retirement to some retirees. The entitlement to postretirement 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.

Other long term employee 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.

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

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long term service awards are recognised in the statement of financial performance.

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 municipality 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.

1.17 (continued)

Termination benefits

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

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

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

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

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

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

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

1.18 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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 surplus.

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

1.18 (continued)

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in notes in the Financial Statements.

A contingent liability is:
- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-ocurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability

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:
- 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 municipality 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 municipality 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 and note on impairment of non-cash generating assets.

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

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

1.19 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.20 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.

Accounting Policies

1.20 (continued)

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.

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 charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. There are areas within the municipality where an un-metered water tariff is applied based on estimated consumption as per promulgated tariffs. Revenue for these is recognised when invoiced.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to each property.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

1.20 (continued)

Interest

Revenue arising from the use by others of municipality assets yielding interest or similar distributions is recognised when:

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

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

1.21 Revenue from non-exchange transactions

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principles as enforced by the law.

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.

Payments received from third parties like insurance refunds is recognised as revenue.

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

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

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.

Accounting Policies

1.21 (continued)

Property rates

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

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

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

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy , as well as the accounting policy on Statutory receivables for the subsequent measurement, derecognittion, presentation and disclosure of statutory receivalbles.

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

Transfers (Including grants)

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

Accounting Policies

1.22 Borrowing costs

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

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

1.23 Comparative figures

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

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where material prior period errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Additional disclosure for the comparative figures is disclosed in note 49.

1.24 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.

1.25 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.

Additional disclosure for fruitless and wasteful expenditure is disclosed in note 53.

1.26 Irregular expenditure

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

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, is recorded in the register and disclosed in the notes 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, is recorded in the register and disclosed in the notes 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 are updated with the amount condoned.

1.26 (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 is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter 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 register is also updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto remains against the relevant programme/expenditure item, disclosed as such in the notes to the financial statements and updated accordingly in the register.

Additional disclosure for irregular expenditure is disclosed in note 54.

1.27 Unspent conditional government grants and receipts

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

This liability must always be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

1.28 Grants in aid

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

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

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

1.29 Budget information

The municipality is 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.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

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

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the annual financial statements in determining whether a difference between the budgeted and actual amount is material.

All comparisons of budget and actual amounts shall be presented on a comparative basis to the budget. Comparative information includes the following:

- the approved and final budget amounts;

- actual amounts and final budget amounts.

1.30 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties include key management personnel, close members of the family of key management personnel and councillors.

Key management personnel include all heads of department or members of the municipal council of the reporting municipality where that council has jurisdiction. The Council, together with the Municipal Manager and Section 57 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives.

Close members of the family of an individual are close relatives of the individual or members of the individual's immediate family who can be expected to influence, or be influenced by, that individual 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.

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

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

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Two types of events can be identified:

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

The municipality adjusts the amount recognised in the financial statements to reflect adjusting events after the reporting date. The municipality does not adjust the amounts recognised in its financial statements to reflect non-adjusting events after the reporting date. Where the non-adjusting event is material and non-disclosure could influence the economic decisions of the users, additional disclosure will be provided.

The municipality has considered the impact of COVID-19 on its operations during the year and its future operations. Full details are provided in the Accounting Officer's report.

1.32 Value-added Tax (VAT)

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

1.33 Investment income

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

Accounting Policies

1.33 Accumulated surplus (continued)

1.34 Accumulated surplus

The accumulated surplus represents the net difference between the total assets and the total liabilities of the municipality. Any surplus realised during a specific financial year is credited against the accumulated surplus.

Prior year adjustments, relating to income and expenditure are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

2. New standards and interpretations

GRAP 18 (as amended 2016): Segment Reporting

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

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

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

The most significant changes to the Standard are:

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

The effective date of the standard is for years beginning on or after 01 April 2020

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The Standard is expected to have a significant impact on the accounting treatment as additional disclosures will be required on the municipality's annual financial statements.

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2020 or later periods:

GRAP 104 (amended): Financial Instruments

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

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

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

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

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

Guideline: Guideline on the Application of Materiality to Financial Statements

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The municipality expects to adopt the guideline for the first time once it becomes effective.

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

Guideline: Guideline on Accounting for Landfill Sites

The objective of this guideline: The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The municipality expects to adopt the guideline for the first time once it becomes effective.

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

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An municipality applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

The impact of the amendment is not material.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation of the Standard of GRAP clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The effective date of the amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

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

Directive 7 (revised): The Application of Deemed Cost

This Directive was originally issued by the Accounting Standards Board (the Board) in December 2009. Since then, it has been amended by:

- Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:
  - GRAP 105 Transfer of Functions Between Entities Under Common Control
  - GRAP 107 Mergers
- Consequential amendments arising from GRAP 110 *Living and Non-living Resources* issued in December 2017.
- Consequential amendments arising from the following Standards of GRAP in May 2018:
  - GRAP 34 *Separate Financial Statements*
  - GRAP 35 *Consolidated Financial Statements*
  - GRAP 36 *Investments in Associates and Joint Ventures*
  - GRAP 37 *Joint Arrangements*
  - GRAP 38 *Disclosure of Interests in Other Entities*

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

The effective date of this revised directivedirective is for years beginning on or after 01 April 2020.

The municipality expects to adopt the directive for the first time in the 2020/2021 annual financial statements.

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

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Bank balances	399 683 742	216 783 207
Cash on hand	33 220	33 220
Short-term deposits	-	75 753 161
Other cash and cash equivalents	330 000	330 000
	400 046 962	**292 899 588**

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

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

The municipality had the following bank accounts

Name of institution	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank Ltd - 4053203845	421 302 926	216 282 740	201 174 099	399 121 049	216 452 547	201 532 266
ABSA Bank Ltd - 4091943582	562 693	330 660	88 630	562 693	330 660	88 630
Total	**421 865 619**	**216 613 400**	**201 262 729**	**399 683 742**	**216 783 207**	**201 620 896**

The difference between the cashbook and bank statement is available for inspection, made up of transactions which could not be processed on 30 June 2020, and uncashed cheques.

The carrying value approximates the fair value of the asset.

Guarantees held in lieu of electricity and water deposits:

Ontec Systems (Pty) Ltd	8 000 000	7 000 000
Sedibeng Brewery (Pty) Ltd / Heineken	7 109 000	7 109 000
Bhawan Family Holdings (Pty) Ltd	1 199 326	1 199 326
Other	120 000	340 200
	16 428 326	**15 648 526**

Figures in Rand	2020	2019

4. Receivables from exchange transactions

Consumer debtors - Water	44 257 739	39 261 763
Consumer debtors - Other	15 752 281	35 481 483
Consumer debtors - Electricity	19 461 299	13 484 110
Consumer debtors - Refuse	10 687 908	6 912 176
Consumer debtors - Sewerage	9 164 195	6 139 799
Sundry debtors	1 774 002	1 318 322
Deposits received on sale of properties	1 105 949	708 572
Debtor - purchase of property	308 000	308 000
Rentals	154 238	168 312
Prepaid expenses	137 088	3 975 643
	102 802 699	**107 758 180**

Credit quality of trade and other receivables

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

Trade receivables

The carrying value approximates the fair value of the asset.

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Trade and other receivables impaired

The impairment provision for the receivables from exchange transactions was R 142 120 531 as of 30 June 2020 (2019: R 107 325 623).

The ageing of the provision for the receivables from exchange transactions is set out in note 5 - Consumer debtors disclosure.

5. Consumer debtors disclosure

Gross balances		
Consumer debtors - Rates	138 856 622	100 168 167
Consumer debtors - Water	132 952 930	89 986 481
Consumer debtors - Other	39 627 881	65 715 749
Consumer debtors - Electricity	27 607 212	22 415 082
Consumer debtors - Refuse	22 451 153	16 568 275
Consumer debtors - Sewerage	18 804 777	13 919 368
	380 300 575	**308 773 122**

Less: Allowance for impairment		
Consumer debtors - Rates	(67 035 822)	(52 047 713)
Consumer debtors - Water	(88 695 191)	(50 724 718)
Consumer debtors - Other	(23 875 600)	(30 234 266)
Consumer debtors - Electricity	(8 145 913)	(8 930 972)
Consumer debtors - Refuse	(11 763 245)	(9 656 099)
Consumer debtors - Sewerage	(9 640 582)	(7 779 569)
	(209 156 353)	**(159 373 337)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	71 820 800	48 120 454
Consumer debtors - Water	44 257 739	39 261 763
Consumer debtors - Other	15 752 281	35 481 483
Consumer debtors - Electricity	19 461 299	13 484 110
Consumer debtors - Refuse	10 687 908	6 912 176
Consumer debtors - Sewerage	9 164 195	6 139 799
	171 144 222	**149 399 785**

Consumer debtors - Other

Consumer debtors - other comprises of final notices, admin fees, disconnection / reconnection fees, legal fees and fire services outstanding income.

Ageing of debtors per service net of impairment

Rates		
Current (0 -30 days)	19 695 228	9 071 483
31 - 60 days	4 230 828	2 452 147
61 - 90 days	3 509 557	1 166 795
91 - 120 days	3 373 163	744 472
121 - 365 days	16 565 368	19 611 196
> 365 days	24 446 656	15 074 361
	71 820 800	**48 120 454**

Electricity		
Current (0 -30 days)	14 678 977	9 225 292
31 - 60 days	522 943	825 843
61 - 90 days	776 693	101 518
91 - 120 days	237 758	639 142
121 - 365 days	1 169 124	1 069 757
> 365 days	2 075 804	1 622 558
	19 461 299	**13 484 110**

Water		
Current (0 -30 days)	12 674 771	13 234 816
31 - 60 days	1 722 142	3 317 039
61 - 90 days	1 374 643	1 170 375
91 - 120 days	1 405 084	772 908
121 - 365 days	10 188 241	7 412 830
> 365 days	16 892 858	13 353 795
	44 257 739	**39 261 763**

Sewerage		
Current (0 -30 days)	3 193 971	1 778 297
31 - 60 days	616 908	317 089
61 - 90 days	519 503	149 960
91 - 120 days	384 602	111 759
121 - 365 days	1 802 842	1 645 197
> 365 days	2 646 369	2 137 497
	9 164 195	**6 139 799**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Refuse		
Current (0 -30 days)	3 128 745	1 415 452
31 - 60 days	643 854	293 535
61 - 90 days	541 383	298 321
91 - 120 days	426 908	126 213
121 - 365 days	2 161 004	1 862 971
> 365 days	3 786 014	2 915 684
	10 687 908	**6 912 176**

Other		
Current (0 -30 days)	738 876	4 167 297
31 - 60 days	284 187	5 402 925
61 - 90 days	562 380	10 139 577
91 - 120 days	443 418	2 375 873
121 - 365 days	3 010 254	3 214 130
> 365 days	10 713 166	10 181 681
	15 752 281	**35 481 483**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

Consumers		
Current (0 -30 days)	54 489 344	26 351 129
31 - 60 days	12 477 204	5 113 773
61 - 90 days	12 346 419	16 056 674
91 - 120 days	12 488 274	6 274 050
121 - 365 days	73 010 355	66 767 889
> 365 days	156 518 264	130 234 526
	321 329 860	250 798 041
Less: Allowance for impairment	(197 735 539)	(144 866 943)
	123 594 321	**105 931 098**

Industrial/ commercial		
Current (0 -30 days)	16 734 966	15 909 303
31 - 60 days	1 352 436	8 668 287
61 - 90 days	871 825	400 511
91 - 120 days	742 923	1 263 780
121 - 365 days	5 273 833	3 742 133
> 365 days	12 503 581	12 140 824
	37 479 564	42 124 838
Less: Allowance for impairment	(11 413 764)	(13 760 615)
	26 065 800	**28 364 223**

National and provincial government		
Current (0 -30 days)	2 532 576	749 172
31 - 60 days	717 944	602 294
61 - 90 days	737 196	522 795
91 - 120 days	696 470	14 551
121 - 365 days	5 955 194	4 765 827
> 365 days	10 851 771	9 195 604
	21 491 151	15 850 243
Less: Allowance for impairment	(7 050)	(745 778)
	21 484 101	**15 104 465**

Total debtors by customer classification		
Current (0 -30 days)	73 756 886	43 009 604
31 - 60 days	14 547 584	14 384 354
61 - 90 days	13 955 440	16 979 980
91 - 120 days	13 927 667	7 552 381
121 - 365 days	84 239 382	75 275 849
> 365 days	179 873 616	151 570 954
	380 300 575	308 773 122
Less: Allowance for impairment	(209 156 353)	(159 373 336)
	171 144 222	**149 399 786**

Ageing of allowance for impairment		
Current (0 -30 days)	19 646 318	4 116 968
31 - 60 days	6 526 722	1 775 774
61 - 90 days	6 671 280	3 953 436
91 - 120 days	7 656 735	2 782 012
121 - 365 days	49 342 549	40 459 496
> 365 days	119 312 749	106 285 650

Figures in Rand	2020	2019

5. Consumer debtors disclosure (continued)

	209 156 353	**159 373 336**

Reconciliation of gross consumer debtors and debtors by customer classification

Gross consumer debtors	380 300 575	308 773 122
Debtors by customer classification	(380 300 575)	(308 773 122)
	-	-

Receivables general information

Reconciliation of provision for impairment for receivables

Opening balance	(159 373 337)	(125 239 485)
Provision for impairment	(50 688 801)	(78 871 279)
Amounts written off as uncollectible	905 785	44 737 427
	(209 156 353)	**(159 373 337)**

6. Receivables from non-exchange transactions

Consumer debtors - Rates	71 820 800	48 120 454
Fines	10 271 422	10 976 475
Government grants and subsidies	3 029 138	4 863 762
Other receivables from non-exchange revenue	11 000	9 172 897
	85 132 360	**73 133 588**

Credit quality of receivables from non-exchange transactions

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

Receivables from non-exchange transactions

Debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

Receivables from non-exchange transactions impaired

Property rates

The amount of the provision for the impairment of receivables from non-exchange transactions(property rates) was R 67 035 822 as of 30 June 2020 (2019: R 52 047 713).

Traffic fines

Other receivables from non-exchange transactions (traffic fines) of R 34 620 013 (2019: R 42 449 651) were impaired and provided for.

The amount of the provisionfor the impairment of receivables from non-exchange transactions (traffic fines) was R71 361 303 as of 30 June 2020 (2019:R 57 521 655)

An amount of R 1 608 940 (2019:R 2 391 285) for traffic fines has been reduced or cancelled and written off during the year.

The ageing of the net traffic fine debtors that is deemed to be collectable is as follows:

< 365 days	817 882	1 841 763
> 365 days	9 453 540	9 134 712

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

7. VAT receivable

VAT receivable	15 345 602	19 017 220

8. Inventories

Maintenance materials - electricity	10 041 585	10 175 262
Maintenance materials - water	3 124 716	3 340 560
Fuel (Diesel, Petrol)	193 616	250 783
Water for distribution	467 132	493 525
	467 132	493 525
	13 827 049	**14 260 130**

Water for distribution		
Opening balance	493 525	458 549
System input volume - kl purchased	132 057 693	127 653 886
Authorised consumption - kl sold	(90 882 506)	(93 115 285)
Water losses	(41 175 186)	(34 538 605)
Non-revenue water	(26 394)	34 980
	467 132	**493 525**

Inventory pledged as security

No portion of inventory has been pledged as securities.

Inventory consumed

The amount of inventory recognised as an expense during the period is disclosed in Note 39.

Inventory losses and write-downs amounting to R202 152 for the year (2019: R160 634)

9. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	121 738 078	-	121 738 078	116 914 879	-	116 914 879
Plant and machinery	29 080 248	(16 998 837)	12 081 411	25 449 172	(14 321 270)	11 127 902
Furniture and fixtures	12 300 346	(7 104 673)	5 195 673	13 475 380	(6 379 610)	7 095 770
Motor vehicles	30 495 894	(22 117 202)	8 378 692	31 222 009	(21 287 215)	9 934 794
IT equipment	13 134 665	(8 897 457)	4 237 208	12 241 131	(7 504 583)	4 736 548
Infrastructure	2 928 359 295	(1 220 612 763)	1 707 746 532	2 788 485 273	(1 099 225 656)	1 689 259 617
Community	124 475 973	(53 651 800)	70 824 173	166 875 181	(76 543 060)	90 332 121
Other property, plant and equipment	36 247 451	(30 096 427)	6 151 024	72 883 982	(39 199 807)	33 684 175
Motor vehicles leased	60 770 262	(30 202 989)	30 567 273	60 415 325	(24 476 192)	35 939 133
Total	**3 356 602 212**	**(1 389 682 148)**	**1 966 920 064**	**3 287 962 332**	**(1 288 937 393)**	**1 999 024 939**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Re-allocation	Depreciation	Total
Land	116 914 879	6 937 200	(2 114 001)	-	-	121 738 078
Plant and machinery	11 127 902	2 909 189	(26 604)	1 295 270	(3 224 346)	12 081 411
Furniture and fixtures	7 095 770	911 459	(23 878)	(1 576 884)	(1 210 794)	5 195 673
Motor vehicles	9 934 794	316 163	(233 756)	976 241	(2 614 750)	8 378 692
IT equipment	4 736 548	1 247 379	(29 351)	15 346	(1 732 714)	4 237 208
Infrastructure	1 689 259 617	102 944 935	(5 652 971)	27 665 652	(106 470 701)	1 707 746 532
Community	90 332 121	6 325 183	(1 921 891)	(18 240 611)	(5 670 629)	70 824 173
Other property, plant and equipment	33 684 175	-	(14 578 657)	(10 173 765)	(2 780 729)	6 151 024
Motor vehicles leased	35 939 133	2 729 734	(1 708 280)	277 318	(6 670 632)	30 567 273
	1 999 024 939	**124 321 242**	**(26 289 389)**	**238 567**	**(130 375 295)**	**1 966 920 064**

Notes to the Annual Financial Statements

Figures in Rand

9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Re-allocation	Depreciation	Total
Land	116 879 754	35 125	-	-	-	116 914 879
Plant and machinery	9 834 532	3 218 688	(545)	486 927	(2 411 700)	11 127 902
Furniture and fixtures	4 252 569	3 781 635	(1 782)	144 839	(1 081 491)	7 095 770
Motor vehicles	9 948 782	2 690 643	(59 756)	-	(2 644 875)	9 934 794
IT equipment	5 630 720	985 356	(1 551)	(6 412)	(1 871 565)	4 736 548
Infrastructure	1 698 245 726	95 064 454	-	(181 190)	(103 869 373)	1 689 259 617
Community	91 231 387	15 525 907	(322)	(1 702 336)	(14 722 515)	90 332 121
Other property, plant and equipment	35 475 370	223 316	-	1 065 231	(3 079 742)	33 684 175
Motor vehicles leased	31 441 752	10 922 810	(55 374)	-	(6 370 055)	35 939 133
	2 002 940 592	**132 447 934**	**(119 330)**	**(192 941)**	**(136 051 316)**	**1 999 024 939**

Pledged as security

No portion of property, plant and equipment has been pledged as security for liabilities, other than obligations under finance leases that are secured by the lessor's right over the leased assets.

During the year reclassification of categories of property, plant and equipment were included in the above due to the implementation of mSCOA. 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.

In addition to the property, plant and equipment above, the municipality has land on which RDP houses have been built. The land is still registered in the deeds office in the name of the municipality. The municipality does not have control over these properties and it is therefore not recognised as assets as it does not comply with the definition of assets as per GRAP 17. Total value: R5 810 000 (2019: R16 200 000)

Compensation received from third parties is disclosed in notes 25 and 26.

9. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Opening	Additions	Transferred to completed items	Total
Community	14 111 386	6 371 775	(32 830)	20 450 331
Infrastructure	117 855 479	95 903 473	(69 789 229)	143 969 723
Other assets	14 026 904	-	(14 026 904)	-
Intangible assets	-	231 767	-	231 767
	145 993 769	**102 507 015**	**(83 848 963)**	**164 651 821**

Reconciliation of Work-in-Progress 2019

	Opening	Additions	Transferred to completed items	Total
Community	16 602 494	1 956 527	(4 447 635)	14 111 386
Infrastructure	181 897 055	89 570 246	(153 611 822)	117 855 479
Other assets	12 948 116	1 078 788	-	14 026 904
Intangible assets	300 000	-	(300 000)	-
	211 747 665	**92 605 561**	**(158 359 457)**	**145 993 769**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2020	2019
Employee related costs	64 545 517	58 011 172
Contracted services	44 969 787	34 777 357
Sale of goods/Inventory	52 591	744 219
Hire charges	3 130 474	6 041 771
	112 698 369	**99 574 519**

The municipality has no development or construction that has been halted during the 2019/2020 financial year

There was no carrying value of property, plant and equipment that took a longer period of time to complete than expected.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

9. Property, plant and equipment (continued)

Funding of property, plant and equipment acquisitions

Additions to property, plant and equipment was funded from the following sources:

Land and Buildings		
Accumulated surplus	-	28 125
Developers contribution	6 937 200	7 000
Infrastructure Assets		
Accumulated surplus	3 174 272	6 466 197
Annuity loans	20 369 503	19 110 526
Developers contribution	2 779 976	22 504 223
INEP	37 228 649	8 799 310
MIG	25 961 555	23 233 398
WSIG	13 430 981	14 950 801
Community Assets		
Accumulated surplus	541 392	14 170 345
Developers contribution	-	855 915
MIG	5 364 903	413 442
DAC	418 887	86 204
Motor vehicles leased		
Finance leases	2 729 734	10 922 810
Motor vehicles		
Accumulated surplus	316 163	861 512
Developers contribution	-	277 449
Annuity loans	-	1 292 316
DAC	-	259 366
IT Equipment		
Accumulated surplus	1 154 382	865 743
DAC	-	119 613
MIG	92 997	-
Furniture and equipment		
Accumulated surplus	605 881	1 849 298
DAC	285 129	1 897 968
MIG	20 450	-
Developers contribution	-	34 369
Plant and machinery		
Accumulated surplus	899 303	844 512
DAC	2 009 886	1 690 068
Annuity loans	-	553 258
Developers contribution	-	130 850
Other Assets		
MIG	-	223 316
	124 321 243	**132 447 934**

9. Property, plant and equipment (continued)

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.

Notes to the Annual Financial Statements

Figures in Rand

10. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	44 322 574	-	44 322 574	45 950 574	-	45 950 574

Reconciliation of investment property - 2020

	Opening balance	Disposals	Total
Land	45 950 574	(1 628 000)	44 322 574

Reconciliation of investment property - 2019

	Opening balance	Disposals	Total
Land	46 569 574	(619 000)	45 950 574

Pledged as security

No portion of investment properties has been pledged as security for liabilities.

Details of property

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.

Land amounting to R355 000 was taken over, and council resolved that the property be transferred. However, the property has not yet been transferred as at 30 June 2020.

10. Investment property (continued)

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

Maintenance of investment property

During the year no repairs and maintenance expenditure was incurred on investment property, which comprised solely of land.

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 356 502	(937 894)	418 608	1 586 208	(1 208 967)	377 241
Servitudes	3 010 343	-	3 010 343	1 854 160	-	1 854 160
Total	**4 366 845**	**(937 894)**	**3 428 951**	**3 440 368**	**(1 208 967)**	**2 231 401**

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	377 241	165 710	(118 696)	(5 647)	418 608
Servitudes	1 854 160	1 156 183	-	-	3 010 343
	2 231 401	**1 321 893**	**(118 696)**	**(5 647)**	**3 428 951**

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	382 428	-	(2 766)	(2 421)	377 241
Servitudes	644 777	1 209 383	-	-	1 854 160
	1 027 205	**1 209 383**	**(2 766)**	**(2 421)**	**2 231 401**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Intangible assets (continued)

Pledged as security

No portion of intangible assets has been pledged as security for liabilities.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

Funding of intangible asset additions

Additions to intangible assets were funded from the following sources:

	2020	2019
Computer Software		
Own revenue	165 710	-
Servitudes		
Accumulated surplus	231 768	1 206 383
Developers contribution	924 415	3 000
	1 321 893	**1 209 383**

12. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	18 701	-	18 701	18 701	-	18 701

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral chain	18 701	18 701

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	18 701	18 701

Pledged as security

No portion of heritage assets has been pledged as security for liabilities.

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.

Expenditure incurred to repair and maintain heritage assets

No repairs and maintenance expenditure was incurred during the year on heritage assets.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

13. Trade and other payables from exchange transactions

Trade payables	102 171 169	109 622 930
Payments received in advance	31 558 098	34 169 389
Accrued leave pay	18 764 466	19 672 035
Retention	9 425 588	6 829 009
Other payables	1 700 541	1 616 862
	163 619 862	**171 910 225**

Trade payables are recognised net of trade discounts.

The carrying value of payables approximates their fair value.

Trade payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation.

14. Long term loans

At amortised cost - Non current liabilities		
Standard Bank	93 419 335	87 707 861
DBSA	36 718 370	46 513 655
ABSA	8 294 551	9 313 101
	138 432 256	**143 534 617**
At amortised cost - Current liabilities		
Standard Bank	15 788 525	13 110 474
DBSA	9 795 285	9 997 987
ABSA	1 018 551	914 257
	26 602 361	**24 022 718**
Total other financial liabilities	**165 034 617**	**167 557 335**
Non-current liabilities		
At amortised cost	138 432 256	143 534 617
Current liabilities		
At amortised cost	26 602 361	24 022 718

14. Long term loans (continued)

Loan Number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed during the period	Balance at 30 June 2020
S/B-22054588-1	20 000 000	10 280 817	-	2 236 466	8 044 351
S/B-22054588-2	34 000 000	16 626 939	-	3 616 987	13 009 952
S/B-22054588-3	26 000 000	13 135 281	-	2 857 420	10 277 861
L-033-M-103600/5	10 390 100	1 195 368	-	1 195 368	-
L-032-M-103600/4	13 100 000	5 592 528	-	1 187 903	4 404 625
L-031-M-103600/3	38 150 000	16 268 102	-	3 455 492	12 812 610
L-030-M-103600/2	4 950 000	2 129 472	-	452 320	1 677 152
L-029-M-103600/1	13 800 000	5 887 516	-	1 250 561	4 636 955
L-028-M-103047/4	15 700 000	9 131 637	-	1 208 713	7 922 924
L-027M-103047/3	12 650 000	9 777 714	-	507 390	9 270 324
L-026-M-103047/2	1 500 000	1 367 015	-	17 645	1 349 370
L-025-M-103047/1	8 800 000	4 240 414	-	659 938	3 580 476
L-023-M-103600/5	1 350 000	921 876	-	62 656	859 220
ABSA-0387231331	12 000 000	10 227 359	-	914 258	9 313 101
S/B-22044108	43 700 000	38 875 297	-	3 045 435	35 829 862
S/B-000538397	21 900 000	21 900 000	-	1 354 166	20 545 834
S/B-000595165	21 500 000	-	21 500 000	-	21 500 000
	299 490 100	**167 557 335**	**21 500 000**	**24 022 718**	**165 034 617**

All loans were obtained in terms of section 45 and 46 of the MFMA.

15. Unspent conditional grants

Unspent conditional grants and receipts comprises of:

	2020	2019
Unspent conditional grants and receipts		
Municipal infrastructure grant	10 478 038	5 902 844
Department of sports, arts, culture and recreation grant	6 976 493	246 780
Water services infrastructure grant	-	49 199
Integrated national electrification programme	2 583 041	5 653 690
	20 037 572	**11 852 513**

Movement during the year

	2020	2019
Balance at the beginning of the year	11 852 513	1 487 795
Additions during the year	20 037 572	11 852 513
Income recognition during the year (including approved roll-overs)	(11 852 513)	(1 487 795)
	20 037 572	**11 852 513**

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 28 for reconciliation of grants from National/Provincial Government.

These amounts are ring-fenced and invested until utilised.

16. Consumer deposits

	2020	2019
Consumer deposits	18 530 508	17 315 592

Figures in Rand	2020	2019

16. Consumer deposits (continued)

Consumer deposits raised over time are invested in a ring-fenced account.

The carrying value of consumer deposits approximates their fair value.

Guarantees held in lieu of electricity and water deposits is disclosed in note 3.

17. Income received in advance for developers' contributions

Unspent developer contribution	8 867 783	-

The amount represents developer contributions that have been received, however, it has not been spent yet.

18. Finance lease obligation

Minimum lease payments due		
- within one year	8 554 340	9 843 785
- in second to fifth year inclusive	16 227 018	22 021 753
	24 781 358	31 865 538
less: future finance charges	(3 383 519)	(5 352 619)
Present value of minimum lease payments	**21 397 839**	**26 512 919**

Present value of minimum lease payments due		
- within one year	6 978 651	7 623 583
- in second to fifth year inclusive	14 419 188	18 889 336
	21 397 839	**26 512 919**

Non-current liabilities	14 419 188	18 889 336
Current liabilities	6 978 651	7 623 583
	21 397 839	**26 512 919**

It is the municipality's practice to lease certain motor vehicles and equipment under finance leases.

The average lease term was 5 years and the average effective borrowing rate was between 6% - 10.75% (2019:7% - 10.70%). Interest rates are fixed 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 are secured by the lessor's charge over the leased assets. Refer note 9.

Lease number	Redeemable	Balance at 30 June 2019	Received during the period	Redeemed during the period	Balance at 30 June 2020
SB19977492-0015	899 126	54 860	-	54 860	-
SB19977492-0016	899 126	54 860	-	54 860	-
SB19977492-0017	242 914	20 067	-	20 067	-
SB19977492-0018	173 406	14 325	-	14 325	-
SB19977492-0019	173 406	14 081	-	14 081	-
SB19977492-0020	522 599	52 686	-	52 686	-
SB19977492-0021	522 599	52 686	-	52 686	-
SB19977492-0022	522 599	52 686	-	52 686	-
SB19977492-0023	395 869	39 882	-	39 882	-
SB19977492-0024	174 922	31 290	-	31 290	-
SB19977492-0025	174 922	31 290	-	31 290	-
SB19977492-0026	292 712	58 249	-	58 249	-
SB19977492-0027	309 807	61 651	-	61 651	-

18. Finance lease obligation (continued)

SB19977492-0029	175 150	59 009	-	40 779	18 230
SB19977492-0030	119 126	40 134	-	27 735	12 399
SB19977492-0031	119 126	40 134	-	27 735	12 399
SB19977492-0032	354 248	119 348	-	82 476	36 872
SB19977492-0033	354 248	119 348	-	82 476	36 872
SB19977492-0034	354 248	119 348	-	82 476	36 872
SB19977492-0035	354 248	119 348	-	82 476	36 872
SB19977492-0036	354 248	119 348	-	82 476	36 872
SB19977492-0037	354 248	119 348	-	82 476	36 872
SB19977492-0038	354 248	119 348	-	82 476	36 872
SB19977492-0039	354 248	119 348	-	82 476	36 872
SB19977492-0040	119 126	40 102	-	27 713	12 389
SB19977492-0041	147 609	49 690	-	34 339	15 351
SB19977492-0042	147 609	49 690	-	49 690	-
SB19977492-0043	183 669	61 829	-	42 728	19 101
SB19977492-0045	274 890	92 536	-	63 948	28 588
SB19977492-0046	244 995	82 406	-	56 948	25 458
SB19977492-0047	119 126	40 069	-	27 690	12 379
SB19977492-0048	147 609	49 650	-	34 311	15 339
SB19977492-0049	197 157	66 208	-	45 754	20 454
SB19977492-0050	1 088 505	365 532	-	252 605	112 927
SB19977492-0051	192 679	64 862	-	44 824	20 038
SB19977492-0052	1 062 326	376 956	-	244 981	131 975
SB19977492-0053	959 323	342 306	-	222 030	120 276
SB19977492-0054	261 645	101 988	-	59 147	42 841
SB19977492-0055	261 645	101 988	-	59 147	42 841
SB19977492-0056	387 771	158 950	-	87 415	71 535
SB19977492-0057	747 210	317 029	-	165 712	151 317
SB19977492-0058	1 297 354	576 353	-	286 924	289 429
SB19977492-0059	1 258 248	558 978	-	278 274	280 704
NED1727061-0001	681 336	426 104	-	136 151	289 953
NED1727061-0002	260 719	163 053	-	52 099	110 954
NED1727061-0003	260 719	163 053	-	52 099	110 954
NED1727061-0004	2 050 723	1 282 511	-	409 795	872 716
ABSA 90361142	3 504 100	2 383 568	-	588 310	1 795 258
ABSA 90360537	1 046 400	712 331	-	175 817	536 514
ABSA 90716668	1 150 738	816 080	-	186 008	630 072
ABSA 90720541	1 150 738	816 080	-	186 008	630 072
ABSA 91008969	581 349	434 774	-	90 884	343 890
ABSA 91009191	581 349	434 774	-	90 884	343 890
ABSA 91052780	492 716	377 275	-	78 864	298 411
ABSA 91053034	191 139	163 136	-	34 101	129 035
ABSA 91053190	155 403	132 635	-	27 725	104 910
ABSA 91053271	155 403	132 635	-	27 725	104 910
ABSA 91053379	355 633	303 531	-	63 449	240 082
ABSA 91053492	143 966	122 874	-	25 685	97 189
ABSA 91694455	184 848	146 080	-	27 739	118 341
ABSA 91610230	184 848	145 811	-	27 688	118 123
ABSA 91693939	135 278	106 906	-	20 300	86 606
ABSA 91693459	455 489	359 959	-	68 353	291 606
ABSA 91694170	455 489	359 959	-	68 353	291 606
ABSA 91693076	754 381	611 160	-	110 850	500 310
ABSA 91692355	126 286	99 800	-	18 951	80 849
SB19977492-0060	1 173 575	1 112 859	-	196 777	916 082
SB19977492-0061	1 173 575	1 112 859	-	196 777	916 082
SB19977492-0062	278 564	267 439	-	46 250	221 189
SB19977492-0063	146 116	140 510	-	24 300	116 210
SB19977492-0064	146 116	140 510	-	24 300	116 210
SB19977492-0065	146 116	140 510	-	24 300	116 210

18. Finance lease obligation (continued)

SB19977492-0066	600 928	577 714	-	99 909	477 805
SB19977492-0067	600 928	577 714	-	99 909	477 805
SB19977492-0068	306 467	298 446	-	50 495	247 951
SB19977492-0069	306 467	298 446	-	50 495	247 951
SB19977492-0070	212 465	212 465	-	31 064	181 401
SB19977492-0071	202 024	202 024	-	29 537	172 487
SB19977492-0072	202 024	202 024	-	29 537	172 487
SB19977492-0073	652 042	652 042	-	76 311	575 731
SB19977492-0074	198 479	198 479	-	29 019	169 460
SB19977492-0076	316 222	316 222	-	46 453	269 769
SB19977492-0077	341 831	297 244	-	34 787	262 457
SB 19977492-0078 (replaced by SB 19977492-0080)	-	1 506 093	-	1 506 093	-
SB 19977492-079	-	500 250	-	500 250	-
ABSA 91952667	2 331 625	1 935 185	-	343 209	1 591 976
SB19977492-0080	1 309 645	-	1 309 645	133 088	1 176 557
1727061/0006	162 950	-	162 950	-	162 950
1727061/0007	278 270	-	278 270	-	278 270
1727061/0008	278 270	-	278 270	-	278 270
1727061/0009	1 009 438	-	1 009 438	-	1 009 438
1727061/0011	373 652	-	373 652	-	373 652
1727061/0012	178 642	-	178 642	-	178 642
1727061/0013	162 950	-	162 950	-	162 950
1727061/0014	161 800	-	161 800	-	161 800
1727061/0015	162 950	-	162 950	-	162 950
1727061/0016	162 950	-	162 950	-	162 950
1727061/0017	162 950	-	162 950	-	162 950
	46 448 970	**26 512 920**	**4 404 467**	**9 519 548**	**21 397 839**

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Discounted during the year	Total
Landfill rehabilitation	62 851 659	(9 655 104)	53 196 555

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Landfill rehabilitation	46 453 120	16 398 539	62 851 659

Non-current liabilities	53 196 555	62 851 659

The landfill rehabilitation provision is created for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Henley-on-Klip, Vaal Marina and Walkerville landfill sites. The valuation for the landfill site was performed by Mr Seakle Godschalk Pr Sci Nat. from Environmental and Sustainability Solutions CC. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientist Profession as well as the Southern African Institute of Ecologists and Environmental Scientists. Mr Godschalk is also a member of CIGFARO.

Key financial assumptions used in this calculation were as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
CPI	2.4107%	2.4107%	2,4107%

19. Provisions (continued)

Discount rate	5.9107%	7.4107%	7.4107%
Nett effective discount rate	3.5%	5%	5%

The 2020 amount of the discounted landfill closure provision of R53 196 555 (2019: R 62 851 659) represents a decrease of R9 655 104 (2019: increase of R16 398 539). Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R4 923 553 (2019: R3 333 903). The 2020 amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2020. The size of the landfill sites used up until now and estimated remaining useful lives are as follows:

	Henley-on-Klip landfill	Vaal Marina landfill	Walkerville landfill
Approximate size used until 30 June 2020	93,097m2	19,526m2	27,666m2
Remaining useful lives	0 years	16 years	7 years

20. Post retirement medical aid plan

Eligible employees aged 55 or older on 1 January 2005 will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. Eligible employees aged 50 or older on 1 January 2005 will receive a post-employment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement. The post-employment subsidy is subject to atleast 25 years of continuous service at the municipality. Council resolution C1078/3/2014.

An actuarial valuation has been performed of the liability in respect of the post-employment medical aid subsidy to retirees of Midvaal Local Municipality and to their registered dependants.

The projected unit cost method has been used to value the liabilities. Key assumptions used:

Discount rates used	8,70 %	8,34 %
Health care cost inflation	5,02 %	6,03 %
Net of health care cost inflation discount rate	3,50 %	2,18 %
Maximum subsidy inflation rate	3,39 %	4,15 %
Net of maximum subsidy inflation discount rate	5,14 %	4,02 %

The rates were determined by using the Johannesburg Stock Exchange as at 30 June 2020.

It is fairly common to expect a pensioner's income to be lower than the income earned just prior to retirement. The difference between the income after retirement and the income just prior to retirement is referred to as the Net Replacement Ratio. The Net Replacement Ratio is used to reduce the expected salary on retirement. We have assumed a Net Replacement Ratio on retirement of 75%. A salary inflation assumption is used to adjust the salary from the current date to the date of retirement. This assumption should be considered in conjunction with the assumed CPI rate.

The effect of a one percent increase and decrease in the health care cost inflation rate is as follows:

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's accrued liability	4 424 000	4 761 000	5 104 000
Employee's interest cost *	364 000	393 000	423 000

A 1% increase in the health care cost inflation assumption results in a 7% increase in the accrued liability.

The present value of the post retirement medical aid obligation for the current and previous four years is as follows:

	2020	2019	2018	2017	2016
Post retirement medical aid	4 761 000	3 893 270	4 851 648	6 301 603	6 846 134

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

20. Post retirement medical aid plan (continued)

According to the mutli-employer plan management indicated that there are no assets set aside off-balance sheet in respect of the Municipality's post-employment health care liability.

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

Opening balance	(3 893 270)	(4 851 648)
Benefits paid	462 595	428 544
Net income / (expense) recognised in the statement of financial performance	(1 330 325)	529 834
	(4 761 000)	**(3 893 270)**

The impact of COVID-19 - It is very difficult to estimate what impact the pandemic is likely to have at this early stage. There is much uncertainty as to how it will affect mortality. Medical scheme contributions are also likely to increase by more than expected. Long term government bond yields increased dramatically since the early stages of the pandemic. This pushed up the net discount rate which in turn reduces the liability

Net expense recognised in the statement of financial performance

Interest cost	(311 134)	(412 668)
Actuarial (gains) losses	(1 019 191)	942 502
	(1 330 325)	**529 834**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

Figures in Rand	2020	2019

21. Long service awards

An actuarial valuation has been performed on Midvaal Local Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards. The Projected Unit Credit Method has been usedto determine the liabilities. The projected liability is based on actuarial assumptions about the future. These assumptions are set to be realistic and individually justifiable. These variations emerge at each valuation as actuarial gains or losses.

Key asumptions used:

	2020	2019
Discount rates used	7,42 %	7,39 %
Salary increase rate	4,03 %	5,04 %
Net discount rate	3,26 %	2,24 %

The effect of a one percent increase and decrease in the salary inflation rates is as follows:

	1% decrease R's	Valuation basis R's	1% increase R's
Employer's	11 881 000	12 625 000	13 446 000
Employer's expense cost *	1 316 000	1 431 000	1 561 000
Employer's interest cost *	833 000	888 000	949 000

The above table illustrates that for the 30 June 2020 financial year, a 1% increase in the salary cost inflation assumption will result in roughly a 7% increase in the accrued liability. Similarly, a 1% decrease in the salary inflation assumption will result in roughly a 6% decrease in the accrued liability.

* The total movement on the service and interest charges was used in the table.

The present value of the long service awards for the current and previous four years is as follows:

	2020	2019	2018	2017	2016
Long service awards	12 625 000	11 868 577	10 673 074	9 840 320	9 597 471

Management indicated that there are no assets set aside for long service awards funding that qualify as plan assets.

Changes in the present value of the long service awards are as follows:

	2020	2019
Opening balance	11 868 577	10 673 074
Benefits paid	(831 050)	(1 161 358)
Net income / (expense) recognised in the statement of financial performance	1 587 473	2 356 861
	12 625 000	**11 868 577**

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	1 215 991	1 175 298
Interest cost	850 261	869 987
Actuarial (gains) losses	(478 779)	311 576
	1 587 473	**2 356 861**

The net expense relating to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

22. Employee benefit obligations

Defined benefit plan

Post retirement medical aid plan

Midvaal Local Municipality operates on 5 accredited medical aid schemes, namely Hosmed, Key Health, SAMWU Med, Bonitas and LA Health.

Midvaal provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, which the municipality is associated with, a member (subject to the applicable conditions of service) on retirement, is entitled to remain a continued member of such medical fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

Pension benefits

Council and employees contribute towards the under-mentioned pension funds whose operations are subject to the Pension Fund Act, 1956.

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

	2020	2019
Carrying value		
Present value of the defined benefit obligation-post retirement medical aid plan	(4 761 000)	(3 893 270)
Present value of long service awards	(12 625 000)	(11 868 577)
	(17 386 000)	**(15 761 847)**

The fair value of plan assets includes:

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

	2020	2019
Opening balance	(3 893 270)	(4 851 648)
Benefits paid	462 595	428 544
Net expense recognised in the statement of financial performance	(1 330 325)	529 834
	(4 761 000)	**(3 893 270)**

Net expense recognised in the statement of financial performance

	2020	2019
Interest cost	(311 134)	(412 668)
Actuarial (gains) losses	(1 019 191)	942 502
	(1 330 325)	**529 834**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	8,70 %	8,34 %
Healthcare cost inflation	5,02 %	6,03 %
Maximum subsidy inflation rate	3,39 %	4,15 %

The discount rate was determined by using the Johannesburg Stock Exchange.

The net expense (gain) related to employee benefit obligations recognised in the statement of financial performance is included within employee remuneration.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

23. Service charges

Sale of electricity	357 487 707	347 195 998
Sale of water	224 522 360	228 957 257
Sewerage and sanitation charges	45 600 817	42 105 387
Solid waste	41 920 117	39 007 723
	669 531 001	**657 266 365**

The revenue foregone in respect of free basic water and free basic electricity was R6 181 704 and R637 899 respectively (2019: R9 534 718 and R435 959)

24. Investment income

Interest income		
Interest received - investment & bank	21 721 257	18 750 717
Interest charged on exchange receivables	12 981 316	8 856 523
Interest charged on non-exchange receivables	5 982 961	3 547 878
	40 685 534	**31 155 118**

25. Operational revenue

Sale of property	4 102 338	2 379 001
Insurance refund	1 536 092	760 714
Administrative handling fees	254 037	784 351
Collection Charges	-	478 647
SETA refunds	464 432	451 228
Staff recoveries	45 793	141 529
Plan printing and duplicates	17 238	11 773
Surplus cash	6 765	(4 397)
	6 426 695	**5 002 846**

26. Sale of goods and rendering of services

Advertising income	26 539	75 349
Cemetery income	659 951	628 647
Building plan income	1 270 100	1 267 294
Cleaning of stands	-	17 778
Clearance / valuation certificates / valuation	135 527	139 752
Entrance and membership income	192 798	210 542
Traffic escort income	94 642	93 603
Fire services	885 901	420 386
Photocopies	84 269	100 628
Town planning fees	976 036	994 432
Tender documents	200 728	132 625
Sale of scrap	175 484	160 556
Legal Fees	18 102	27 182
	4 720 077	**4 268 774**

2018/2019

The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2018, the municipality had adopted the Status Quo report as well as the Feasibility Study as required by section 78(1) of the Municipal Systems Act. A transactional advisor has been appointed and is in the process of re-visiting the feasibility study. Appontment of the private partner is envisaged to be finalised in the 2020/2021 financial year. The municipality is in the process of finalising an agreement with DBSA for funding of an estimated amount of R20 000 000.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

26. Sale of goods and rendering of services (continued)

2019/2020
The Midvaal Local Municipality registered a Public Private Partnership with National Treasury in terms of Sec 120 of the MFMA for the management and maintenance of electricity operations. As at 30 June 2020, the municipality went out on request for qualification. The funding agreement with DBSA was also signed during the year.

27. Property rates

Rates received

Residential	165 570 909	141 694 780
Commercial	64 034 276	58 876 390
State	8 449 770	7 836 644
Agricultural	4 944 896	6 143 039
Less: Income forgone	(883 013)	(792 982)
	242 116 838	**213 757 871**

A valuation roll was compiled in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA)which is used as a basis to levy property rates. The valuation roll came into effect on 1 July 2018. All objections were referred to the valuer for his comments and letters of outcome. Supplementary valuations are attended to in line with the MPRA. Reconciliations between the valuation roll and billing are completed on a monthly basis.

Rates are levied on a monthly basis and interest is levied after due date.

Valuations

Residential	17 697 374	18 594 560
Other	4 128 992	3 451 334
Commercial	3 963 482	4 241 195
Agricultural	3 173 587	3 213 231
State	504 924	508 934
Municipal	277 290	290 266
	29 745 649	**30 299 520**

28. Transfers and subsidies

Operating grants		
Equitable Share	100 829 000	91 438 000
Department of sports, arts, culture and recreation grants	10 000 000	6 750 000
Special contribution towards councillors (Equitable Share)	6 218 000	5 754 000
Urban management grant	-	6 211 219
Provincial health subsidy	3 853 213	4 216 521
Environmental subsidy grant	3 082 949	3 073 930
Water services infrastructure grant	1 500 000	-
Expanded public works grant	1 564 000	1 181 000
Financial management grant	1 550 000	1 550 000
Municipal infrustructure grant	922 170	1 428 000
Disaster management grant	718 000	-
	130 237 332	**121 602 670**

Capital grants		
Intergrated national electrification programme	37 228 649	8 799 310
Municipal infrastructure grant	36 288 635	23 870 156
Water service infrastructure grant	13 549 199	14 950 801
Department of sports, arts, culture and recreation grants	1 144 810	4 053 219
	88 211 293	**51 673 486**

28. Transfers and subsidies (continued)

	2020	2019
	218 448 625	**173 276 156**

Conditional and Unconditional

Summary of grants and subsidies received:

	2020	2019
Unconditional grants received	117 097 162	110 693 670
Conditional grants: conditions met - transferred to revenue	101 351 463	62 582 486
	218 448 625	**173 276 156**

Unspent conditional grants - remain liabilities (see note 15).

The grants are utilised in accordance with the conditions outlined in the DORA.

Summary of unspent conditional grants:

	2020	2019
Municipal Infrastructure Grant	10 478 038	5 902 844
Department Sport, Arts, Culture and Recreation Grant	6 976 493	246 780
Integrated National Electrification Programme	2 583 041	5 653 690
Water Service Infrastructure Grant	-	49 199
	20 037 572	**11 852 513**

Equitable Share

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

All registered indigents are provided with free basic services which is funded from the equitable share.

	2020	2019
Current-year receipts	107 047 000	97 192 000
Transferred to revenue	(107 047 000)	(97 192 000)
	-	**-**

Department Sport, Arts, Culture and Recreation Grant (vote - Community services)

	2020	2019
Balance unspent at beginning of year	246 780	1 487 795
Current-year receipts	17 833 533	11 100 000
Conditions met - transferred to revenue	(11 103 820)	(12 341 015)
	6 976 493	**246 780**

Conditions still to be met - remain liabilities (see note 15).

Application for roll over submitted on the 31 July 2020 to Provincial Treasury. Funds are committed, and were not spent due to the national lockdown. Provincial Treasury has partially approved the application and R687 203 has to be returned.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Transfers and subsidies (continued)

Municipal Infrastructure Grant (vote - Engineering services

Balance unspent at beginning of year	5 902 844	-
Current-year receipts	41 786 000	31 201 000
Conditions met - transferred to revenue	(37 210 806)	(25 298 156)
	10 478 038	**5 902 844**

Conditions still to be met - remain liabilities (see note 15).

Application for roll over submitted on the 31 August 2020 to National Treasury, and has been approved. Funds are committed, and were not spent due to the national lockdown.

Water Services Infrastructure Grant (vote - Engineering services)

Balance unspent at beginning of year	49 199	-
Current-year receipts	15 000 000	15 000 000
Conditions met - transferred to revenue	(15 049 199)	(14 950 801)
	-	**49 199**

Integrated National Electrification Programme (vote - Engineering services)

Balance unspent at beginning of year	5 653 690	-
Current-year receipts	34 158 000	14 453 000
Conditions met - transferred to revenue	(37 228 649)	(8 799 310)
	2 583 041	**5 653 690**

Conditions still to be met - remain liabilities (see note 15).

Application for roll over was submitted on the 31 August 2020 to National Treasury, and has been approved. Funds are committed, and were not spent due to the national lockdown.

Provincial Health Subsidy (vote - Community services)

Current year receipts	3 853 213	3 073 930
Transferred to revenue	(3 853 213)	(3 073 930)
	-	**-**

Environmental Subsidy (vote - Community services)

Current-year receipts	3 073 930	4 216 521
Transferred to revenue	(3 073 930)	(4 216 521)
	-	**-**

Expanded Public Works Progamme (vote - Community services)

Current-year receipts	1 564 000	1 181 000
Transferred to revenue	(1 564 000)	(1 181 000)
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

28. Transfers and subsidies (continued)

Finance Management Grant (vote - Financial services)

Current-year receipts	1 550 000	1 550 000
Transferred to revenue	(1 550 000)	(1 550 000)
	-	-

Disaster management grant (COVID-19)

Current-year receipts	718 000	-
Conditions met - transferred to revenue	(718 000)	-
	-	-

Allocated in terms of the Disaster Management Act, and used in line with approved COVID-19 personal protective equipment (PPE), and reported to the funder.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

29. Developers' contributions

Developers' contributions	10 461 993	24 710 457

30. Fines, Penalties and Forfeits

Municipal traffic fines	37 922 050	44 309 489
Overdue books fines	149 612	111 291
Pound fees fines	5 926	3 883
	38 077 588	**44 424 663**

31. Revenue

Service charges	669 531 001	657 266 365
Property rates	242 116 838	213 757 871
Government grants & subsidies	218 448 625	173 276 156
Developers' contributions	10 461 993	24 710 457
Operational revenue	6 426 695	5 002 846
Sale of goods and rendering of services	4 720 077	4 268 774
Investment income	40 685 534	31 155 118
Fines, penalties and forfeits	38 077 588	44 424 663
Rental of facilities and equipment	1 213 813	1 323 509
	1 231 682 164	**1 155 185 759**

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	669 531 001	657 266 365
Investment income	40 685 534	31 155 118
Operational revenue	6 426 695	5 002 846
Sale of goods and rendering of services	4 720 077	4 268 774
Rental of facilities and equipment	1 213 813	1 323 509
	722 577 120	**699 016 612**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

31. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	242 116 838	213 757 871
Transfer revenue		
Government grants & subsidies	218 448 625	173 276 156
Fines, penalties and forfeits	38 077 588	44 424 663
Developers' contributions	10 461 993	24 710 457
	509 105 044	**456 169 147**

32. Bulk purchases

Electricity	300 621 707	260 568 859
Water	132 057 693	127 653 886
	432 679 400	**388 222 745**

Electricity losses

	Units 2020	Units 2019		
Units purchased	259 527 678	265 225 242	300 621 707	260 568 859
Units sold	(225 063 514)	(232 754 349)	(260 700 432)	(228 668 035)
Total loss	**34 464 164**	**32 470 893**	**39 921 275**	**31 900 824**
Comprising of:				
Technical losses	15 571 158	15 917 104	18 036 721	15 637 659
Non-technical losses	18 893 006	16 553 789	21 884 554	16 263 165
Total	**34 464 164**	**32 470 893**	**39 921 275**	**31 900 824**
Percentage Loss:				
Technical losses			6 %	6 %
Non-technical losses			7 %	6 %

32. Bulk purchases (continued)

Water losses

	Units 2020	Units 2019		
Units purchased	12 983 585	13 770 359	132 057 694	127 653 886
Units sold	(8 993 204)	(10 044 589)	(91 471 024)	(93 115 283)
Total	**3 990 381**	**3 725 770**	**40 586 670**	**34 538 603**
Comprising of:				
Technical losses	1 997 271	1 864 828	20 314 496	17 287 309
Non-technical losses	1 993 110	1 860 942	20 272 174	17 251 294
Total	**3 990 381**	**3 725 770**	**40 586 670**	**34 538 603**
Percentage Loss:				
Technical losses			15 %	14 %
Non-technical losses			15 %	14 %
Total			**30 %**	**28 %**

	2020	2019
Cost of free basic services		
Cost of free basic water	6 181 704	9 534 718
Cost of free basic electricity	637 899	435 959
	6 819 603	**9 970 677**

	2020	2019
Electricity bulk purchases		
Cost of electricity billed	260 062 533	228 232 077
Electricity technical losses	18 036 721	15 637 659
Electricity non-technical losses	21 884 554	16 263 165
Free basic electricity	637 899	435 959
	300 621 707	**260 568 860**

	2020	2019
Water bulk purchases		
Cost of water billed	85 289 319	83 580 565
Water technical losses	20 314 496	17 287 309
Water non-technical losses	20 272 174	17 251 294
Free basic water	6 181 704	9 534 718
	132 057 693	**127 653 886**

The Municipality is required to report on water losses in terms of MFMA Circular 71 issued by National Treasury, and has been reported accordingly.

The Municipality is of the view that the methodology outlined in MFMA Circular 71 is an over simplification and does not take into account various components in the calculation.

The Municipality has also disclosed the water loss calculation as outlined by the International Water Association (IWA) which is a more detailed and comphrehensive calculation. The calculations have been varified by expects in the field, in line with the IWA guideline which is a more reliable and accurate calculation:

	2020	**2019**
• Water Loss (Based on IWA guidelines)	27.48%	23.68%

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs

Basic	168 325 086	158 466 661
Pension	32 772 237	30 795 226
Medical aid - company contributions	16 204 850	12 778 118
Overtime payments	15 893 415	14 658 140
Bonus	13 496 855	12 067 613
Car allowance	10 291 723	10 335 174
Standby allowance	6 642 686	5 352 714
Telephone allowance	1 779 528	1 598 018
Redemption of leave	1 624 425	9 589 721
Housing benefits and allowances	1 536 500	1 428 701
UIF	1 313 527	1 294 847
Post retirement medical contribution	464 951	455 227
Social contributions	276 939	275 033
	270 622 722	**259 095 193**

Remuneration of Municipal Manager

Annual Remuneration	1 730 441	1 545 408
Car Allowance	64 000	144 000
Contributions to UIF, Medical and Pension Funds	136 310	267 814
Other	15 700	30 105
Leave pay	119 904	-
	2 066 355	**1 987 327**

The position was vacant for the period 1 November 2019 - 30 April 2020.

Remuneration of Chief Financial Officer

Annual Remuneration	38 906	1 269 775
Car Allowance	-	144 000
Contributions to UIF, Medical and Pension Funds	158	271 487
Other	-	192 642
	39 064	**1 877 904**

The position was vacant for the period 1 July 2019 to 15 June 2020.

Remuneration of ED Community Services

Annual Remuneration	1 275 726	1 197 514
Car Allowance	216 000	216 000
Contributions to UIF, Medical and Pension Funds	303 190	271 749
Other	24 000	24 105
	1 818 916	**1 709 368**

Remuneration of ED Engineering Services

Annual Remuneration	-	635 699
Car Allowance	-	78 000
Contributions to UIF, Medical and Pension Funds	-	129 081
Other	-	59 244
	-	**902 024**

The position has been vacant since 1 January 2019.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs (continued)

Remuneration of Deputy Municipal Manager

Annual Remuneration	2 002 781	1 820 437
Car Allowance	-	60 000
Contributions to UIF, Medical and Pension Funds	1 896	1 785
Other	24 000	24 105
	2 028 677	**1 906 327**

The Deputy Municipal Manager has been suspended for the year under review.

Remuneration of ED Development & Planning

Annual Remuneration	686 413	651 966
Car Allowance	144 000	144 000
Contributions to UIF, Medical and Pension Funds	142 235	136 477
Other	24 000	24 105
	996 648	**956 548**

Acting allowances for Sec 56 appointments

Chief Financial Officer	184 716	-
Executive Director Engineering Services	144 850	-
Deputy Municipal Manager	199 773	-
	529 339	**-**

Related party disclosure: Executive Director Financial services

- Property Rates R1 927
- Water R1 l286

34. Depreciation and amortisation

Property, plant and equipment	130 375 292	136 051 316
Intangible assets	5 647	2 421
	130 380 939	**136 053 737**

35. Contracted services

Outsourced Services		
Security Services	17 313 992	13 448 344
Connection/Dis-connection services	12 327 824	11 086 009
Personnel and labour	4 722 348	6 359 029
Clearing and grass cutting services	2 418 290	2 605 232
Removal of structures and illegal signs	2 219 621	2 002 316
Call Centre	2 051 625	2 631 625
Hygiene services	1 316 423	1 060 131
Burial services	1 278 093	1 049 244
Meter management	1 011 309	1 192 969
Business and advisory	904 921	1 244 075
Litter picking and street cleaning	-	705 935
Catering services	287 313	662 267
Traffic fines management	196 480	168 917
Transport services	4 250	23 422

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Contracted services (continued)

Consultants and Professional Services		
Business and advisory	10 030 314	9 899 957
Legal	4 329 022	4 512 799
Infrastructure and planning	1 021 770	740 176
Contractors		
Maintenance of buildings and facilities	44 969 787	43 490 622
Tracing agents and debt collectors	851 722	1 835 432
Artists and performers	180 000	2 000
Medical services	37 525	37 906
Sports and recreation	-	37 190
Transportation	32 396	135 400
Plants, flowers and other decorations	19 349	4 660
Catering services	19 013	293 766
Pest control and fumigation	10 980	11 782
Fire services	5 720	5 720
Safeguard and security	5 374	112 923
Employee wellness	5 320	8 600
Stage and sound crew	5 000	153 330
	107 575 781	**105 521 778**

36. Debt impairment

Contributions to debt impairment provision	86 917 754	115 670 961

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

37. Operating cost

Hiring of equipment	9 092 533	11 907 337
IT expenses	5 602 268	6 939 850
Insurance	5 002 300	3 835 044
Landfill rehabilitation costs	4 923 553	3 333 903
Advertising	4 530 242	4 611 911
Auditors remuneration	3 398 870	2 647 144
Commissions	3 320 141	3 455 394
SALGA membership fees	3 160 863	2 778 451
Protective clothing	2 569 829	2 604 461
Skills development levy	1 879 064	2 185 868
Workmen's compensation fund	1 255 764	1 346 515
Bank charges	1 109 826	1 128 313
Consumables	1 070 456	1 187 697
Vehicle tracking	753 321	660 797
Remuneration of ward committee	714 998	660 230
Vehicle license fees	568 273	873 097
Printing and stationery	465 510	421 899
Postage and courier	359 234	588 188
Travel - local	297 770	820 970
Telephone and fax	234 545	460 787
Delivery expenses	219 166	136 086
Indigent relief	215 487	244 513
Travel - overseas	209 156	18 708
Radio and TV transmissions	199 686	205 283
Employee Bursary	181 101	209 746
Membership and registration fees	92 670	283 519
Valuation roll	29 610	9 870
Achievements and awards	21 093	25 110
Non capital assets expensed	14 256	821 961
Entertainment	13 795	6 232
Cleaning	6 616	8 774
Toll gate fees	4 259	30 123
	51 516 255	**54 447 781**

38. Finance costs

Long term loans	13 433 058	15 031 729
Finance leases	5 134 877	3 288 664
	18 567 935	**18 320 393**

39. Inventory - consumed

Inventory - consumed	15 435 317	17 036 975

Inventory losses and write-downs of R202 152 for the year (2019: R160 634) related to theft of inventory and immaterial inventory adjustments.

Figures in Rand	2020	2019

40. Remuneration of councillors

Councillors and Section 79 Committee Members	7 320 919	7 723 204
Mayoral Committee Members	3 536 934	2 694 890
Executive Major	938 250	909 228
Speaker	755 877	728 375
Chief Whip	418 388	404 004
	12 970 368	**12 459 701**

Remuneration of the Executive Mayor

Allowance	893 850	807 820
Travel	-	57 008
Telephone	44 401	44 400
	938 251	**909 228**

Remuneration of the Mayoral Committee Members (5 members)

Allowance	2 578 411	1 887 233
Travel	773 523	630 057
Telephone	185 000	177 600
	3 536 934	**2 694 890**

Remuneration of the Chief Whip

Allowance	284 087	269 703
Travel	89 901	89 901
Telephone	44 400	44 400
	418 388	**404 004**

Remuneration of the Speaker

Allowance	715 077	646 254
Travel	-	41 321
Telephone	40 800	40 800
	755 877	**728 375**

Remuneration of the Section 79 Committee members

Allowance	1 134 428	1 106 460
Travel	317 639	289 760
Telephone	173 900	177 600
	1 625 967	**1 573 820**

Remuneration of Councillors

Allowance	3 734 311	4 259 297
Travel	1 172 540	1 092 087
Telephone	788 100	798 000
	5 694 951	**6 149 384**

Figures in Rand	2020	2019

40. Remuneration of councillors (continued)

Councillors are remunerated in terms of the Remuneration of Public Office Bearers Act.

Related party disclosure: Cllr LM Modikeng had the following outstanding balances per service

• Sanitation	R2 111.52
• Refuse Removal	R1 818.00
• Water	R2 401.58
• Interest on Water	R 413.25
• Interest on Sanitation	R 105.27
• Interest on Refuse Removal	R 88.72

In-kind benefits

2019/2020

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards and the speaker has one bodyguard.

2018/2019

The Executive Mayor, Speaker and Mayoral Committee Members are full-time.
Each is provided with an office and secretarial support at the cost of the Council.
The Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.
The Mayor has four full-time bodyguards.

41. Transfers and subsidies

	2020	2019
Mayor's Charitable Fund		
Donations	1 301 437	593 237

Administered through the donations process.

42. Flows from operating activities

	2020	2019
Surplus	83 241 997	37 441 278
Adjustments for:		
Depreciation and amortisation	130 380 939	136 053 737
Loss on sale of assets	7 439 799	821 847
Donations of PPE	(6 937 200)	-
Donations of intangibles	(924 415)	-
Debt impairment	63 622 663	115 670 961
Movements in retirement benefit assets and liabilities	1 624 153	237 125
Movements in provisions	4 923 553	3 333 903
Inventory write down	202 152	-
Changes in working capital:		
Inventories	230 929	(5 658 813)
Receivables from exchange transactions	(51 508 713)	(126 288 566)
Receivables from non-exchange transactions	(19 157 243)	(18 479 925)
VAT receivable	3 671 618	(1 455 482)
Trade and other payables from exchange transactions	(8 290 364)	54 624 800
Unspent conditional grants	8 185 059	10 364 718
Consumer deposits	1 214 916	896 848
Income received in advance for developer contribution	8 867 783	-
	226 787 626	**207 562 431**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

43. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	102 802 699	102 802 699
Receivables from non-exchange transactions	85 132 360	85 132 360
Cash and cash equivalents	400 046 962	400 046 962
	587 982 021	**587 982 021**

Financial liabilities

	At amortised cost	Total
Loans	165 034 617	165 034 617
Trade and other payables from exchange transactions	163 619 862	163 619 862
Lease obligation	21 397 839	21 397 839
Consumer deposits	18 530 508	18 530 508
	368 582 826	**368 582 826**

2019

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	107 758 181	107 758 181
Receivables from non-exchange transactions	73 133 587	73 133 587
Cash and cash equivalents	292 899 588	292 899 588
	473 791 356	**473 791 356**

Financial liabilities

	At amortised cost	Total
Loans	167 557 335	167 557 335
Trade and other payables from exchange transactions	171 910 236	171 910 236
Finance lease obligation	26 512 919	26 512 919
Consumer deposits	17 315 592	17 315 592
	383 296 082	**383 296 082**

Figures in Rand	2020	2019

43. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2020

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	40 685 534	40 685 534
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18 567 935)	(18 567 935)
Debt impairment	(86 917 754)	(86 917 754)
	(64 800 155)	**(64 800 155)**

2019

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	31 155 118	31 155 118
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(18 320 393)	(18 320 393)
Debt impairment	(115 670 961)	(115 670 961)
	(102 836 236)	**(102 836 236)**

44. Commitments

Authorised capital expenditure

	2020	2019
Already contracted for but not provided for		
• Property, plant and equipment	79 215 211	100 170 767
Total capital commitments		
Already contracted for but not provided for	79 215 211	100 170 767

Authorised operational expenditure

	2020	2019
Already contracted for but not provided for		
• Expenditure	22 900 743	39 682 784
Total operational commitments		
Already contracted for but not provided for	22 900 743	39 682 784

Total commitments

	2020	2019
Total commitments		
Authorised capital expenditure	79 215 211	100 170 767
Authorised operational expenditure	22 900 743	39 682 784
	102 115 954	**139 853 551**

This committed expenditure relates to property, plant and equipment and will be financed by cash backed accummulated surplus, grant funding, developer contributions and loans.

Figures in Rand	2020	2019

45. Contingencies

Contingent liabilities arising from third party claims and litigation

Name	Case no		2020	2019
TW Peeters	144656	Defamation case	10 000 000	10 000 000
* RJ Du Toit & A Barzan Boederye CC	28803/2016 0813-12238	Stolen electrical cable resulting in house burnt down	4 500 000	4 500 000
S Marais	137194	Alleged assault by fire officer	-	800 000
MA Ramaoka	38281/2010	Claim for damages	500 000	642 389
PL Khadebe/Ncube	29665/15	Applied for rescission of judgement regarding transfer of property back into her name - unknown	525 000	525 000
Telkom SA Ltd	21445/2011	Damages claim	-	187 785
SL Jacobs	22470/06	Injury on duty	-	109 692
AN Jwili: DK76BHGP	145110	Former employee injured in a car accident	300 000	100 000
P Venter	123004	Lack of stop sign or warning of the imminent crossing	71 337	71 337
P van Rooyen	137752	Vehicle damaged due to a ditch excavated and no warning sign	-	33 603
T Rego	141118	Vehicle damaged by a pothole	-	10 040
CT Miles	144613	Borehole pump damaged	-	2 200
P du Plessis	138512	A stone hit and damaged third party's vehicle as a result of grass cutting	-	500
ESKOM - ESA24:F15kom	18234/2011	Supply area dispute - amount unknown	-	-
King Price Insurance: W Bezuidenhout	711/2020	Claim for damage as a result of alleged pothole	100 000	-
IW Chase & de Beer	148118	Third party property damaged by veld fire	92 800	-
M Gouws	154473	Injury due to extraction of tooth at the clinic	501 000	-
A Tsukudu	144656	Defamation case	26 000 000	-
King Price Insurance: MW Ellis	CLCBP-150302	Vehicle damaged due to pothole	43 520	-
			42 633 657	**16 982 546**

46. Related parties

Relationships	
Accounting Officers	Refer to accounting officers' report note
Councillors	Refer to note 40
Members of key management	Refer to note 33
Close family member of key management	There were no transactions between close family members of key management
Joint venture of key management	None
Associate of close family member of key management	None
Post employment benefit plan for employees of entity and/or other related parties	Refer to note 19

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

47. 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 she records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the annual financial statements. The deviations were reported to Council in terms of section 36(c)(2).

The majority of items mentioned had to be addressed to emergency circumstances. The balance of items were due to circumstances where it was impractical or impossible to follow a competetive bidding process.

Class	2020	2019
Emergency	4 924 621	275 985
Sole providers/Accredited agents	87 822	679 308
Impractical or impossible to follow the process	3 997 371	10 200 001
	9 009 814	**11 155 294**

48. Prior period adjustments

Property, plant and equipment were depreciated, however, the useful lives and residual values were not appropriately considered.

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

Statement of financial position

Non-current assets	Audited balance 2019	Prior period error	Reclassification	Total
Propery, plant and equipment	-	331 720	-	331 720

Net Assets	Audited balance 2019	Prior period error	Reclassification	Total
Accumulated surplus	-	331 720	-	331 720

Statement of financial performance

Figures in Rand	2020	2019

48. Prior period adjustments (continued)

Expenditure	Audited balance 2019	Prior period error	Reclassification	Total
Depreciation and amortisation	-	(331 720)	-	(331 720)
Total expenditure	-	(331 720)	-	(331 720)

Non-current assets:

Below is a summary of the total effect that the prior error of comparatives had on the amounts previously disclosed in the annual financial statements:

Property, plant and equipment	Audited balance 2019	Prior period error	Reclassification	Total
Infrastructure	-	331 720	-	331 720

Total non-current assets	Audited balance 2019	Prior period error	Reclassification	Total
Property, plant and equipment	-	331 720	-	331 720

49. Comparative figures

The following comparative figures of certain line item have been reclassified (Total remains the same):

1. Note 25 - Sale of goods

2. Note 35 - Contracted services

3. Note 37 - Operating cost

The following comparative figures of the statement of financial performance were reclassified:

	Audited balance 2019	Reclassification	Total
Operating cost	54 608 415	(160 634)	54 447 781
Inventories losses / write-downs	-	160 634	160 634
	54 608 415	**-**	**54 608 415**

Comparative figures have been reclassified for fair presentation.

Notes to the Annual Financial Statements

50. Risk management

Liquidity risk

The municipality's liquidity risk 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.

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

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

At 30 June 2020	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payable from exchange transactions	163 619 862	-	-
Long term loans	26 602 361	88 571 765	49 860 490
Consumer deposits	18 530 508	-	-
Finance lease obligations	6 978 651	14 419 188	-

At 30 June 2019	Less than 1 year	Between 2 and 5 years	Over 5 years
Trade and other payable from exchange transactions	171 910 236	-	-
Long term loans	24 022 718	95 682 702	47 851 915
Consumer deposits	17 315 592	-	-
Finance lease obligations	7 623 583	18 889 336	-

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments 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 municipality.

Financial instrument	2020	2019
Cash and cash equivalents	400 046 962	292 899 588
Receivables from exchange transactions	102 802 699	107 758 180
Receivables from non-exchange transactions	85 132 360	73 133 587

Market risk

Interest rate risk

The municipality carries a significant amount of cash invested throughout the year. An increase or decrease in the prime rate will have an impact on the interest income.

51. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 2 163 774 226 and that the municipality's total assets exceed its liabilities by R 2 163 774 226.

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.

Figures in Rand	2020	2019

51. Going concern (continued)

The ability of the municipality to continue as a going concern is based on liquidity factors in the absence of any other factors that pose a threat to the municipality's going concern.

As at 30 June 2020, the following liquidity ratio's were measured in terms of MFMA Circular 71 and it was concluded that there are no indicators that negates the going concern principle:

Current ratio: 2.5 (2019:2.2)

Cost coverage: 5.2 (2019: 4.0 months)

52. Events after the reporting date

As at 30 June 2020, and post the statement of financial position date, the National Disaster Act remains in force, resulting in a national lockdown of movement of people and restrictions placed on trading by businesses.

The governments risk adjusted strategy to COVID-19 commenced at level 5 in March 2020, which had an impact on the last quarter of operations for the financial year.

Post statement of financial position date, the lockdown level has been adjusted and stands at level 1. This has seen an opening of the economy and a significant move towards normality.

The negative impact on trading operations is expected to continue albeit to a much lesser extent. It remains uncertain as to when the state of National Disaster will be completely lifted, amongst speculation of a 'second wave' of the COVID-19 pandemic.

53. Fruitless and wasteful expenditure

Opening balance as previously reported	26 000	-
Opening balance as restated	**26 000**	**-**
Add: Expenditure identified - current	8 776	26 000
Add: Expenditure identified - current	45 600	-
Less: Amounts recoverable - prior period	(26 000)	-
Closing balance	**54 376**	**26 000**

2019/2020

Interest of R8,776 was paid to SARS for late payment of PAYE, and R45,600 was in respect of firearms which was paid upfront in order to be registered, however, the firearms were not received. No criminal or disciplinary steps were taken against any employees in this regard as none of the expenditure could be attributed to gross negligence. The municipality is in the process of recovering the interest of R8,776.

2018/2019

A service provider was paid for training, however, not all the deliverables were met. The relevant official took full responsibility and accountability for the expenditure and undertook to pay the amount back to Council.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

54. Irregular expenditure

Opening balance as previously reported	1 833 099	-
Opening balance as restated	**1 833 099**	**-**
Add: Irregular Expenditure - current	4 965 958	1 833 099
Less: Amount written off - current	(1 690 072)	-
Less: Amount written off - prior period	(143 026)	-
Closing balance	**4 965 959**	**1 833 099**

2019/2020

A single contract was exceeded by R4,965,958 from the total awarded amount. The preliminary investigation is still underway and the section 32 processes of the MFMA will follow.Thereafter criminal charges or disciplinary processes will unfold.

In terms of section 32 of the MFMA, Internal audit and MPAC have investigated the regulation 32 appointment of 2018/2019 and determined the amount not to have benefited any individuals. No loss suffered by the municipality, therefore the amount is irrecoverable and must be written off.

2018/2019

Irregular expenditure amounting to R143,026 was reported to Council and was subsequently written off. Irregular expenditure amounting to R1,690,072 related to a regulation 32 appointment which did not meet the criteria for a regulation 32 as it was for the appointment of a panel of service providers.

55. In-kind donations and assistance

2019/2020

The municipality received the following items to assist during COVID-19 lockdown:

COMPANY	ITEM SPONSORED	QUANTITY
Top Paintings	Sanitisers	335 litres
RMI Bearings	Hand sanitizers	19 x 1l bottles
Sci Chem	Sanitisers	80 litres
Fire Fly Rotary club (Linda)	Material masks	350
Pietria Hardware	Cornish crystals	5 kg
Pietria Hardware	Formalin	20 litres

2018/2019

The municipality did not receive any in-kind donations and assistance in the 2018/2019 financial year.

56. Additional disclosure in terms of Municipal Finance Management Act

Contributions to SALGA

Current year subscription / fee	3 160 863	2 778 451
Amount paid - current year	(3 160 863)	(2 778 451)
	-	-

Figures in Rand	2020	2019

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

Audit fees

Current year fee	3 398 870	2 647 144
Amount paid - current year	(3 398 870)	(2 647 144)
	-	-

PAYE and UIF

Amount paid - current year	41 647 403	38 989 300

Pension and Medical Aid Deductions

Amount paid - current year - pension	46 763 248	44 474 430
Amount paid - current year - medical	26 798 735	24 291 720
	73 561 983	**68 766 150**

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020: However, it was fully paid in July 2020.

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor ML Modikeng	2 220	4 718	6 938

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor A Tsukudo	2 626	114	2 740
Councillor J Mabaso	4 225	5 581	9 806
Councillor ML Modikeng	11 964	8 926	20 890
	18 815	**14 621**	**33 436**

57. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	186 432 456	196 076 597
Used to finance property, plant and equipment	(176 644 247)	(186 181 026)
	9 788 209	**9 895 571**

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

58. Disclosure in terms of Section 45 of the Municipal Supply Chain Management Regulations

The following disclosure is made in terms of Section 45 of the Municipal Supply Chain Management Regulations; awards of more than R2 000 to close family members of persons in the service of the state.

Related party		2020	2019
Water Solutions	G Luthuli - Gauteng Department of Social Development and T Zwane - Ekurhuleni Municipality	-	4 500 000
Altimax	FA Henning - Mango Airline: Spouse of a shareholder and HJ De Kock - SITA: Spouse of a shareholder	-	1 200 000
Conlog	N Moodley - Director Department of Health	-	1 500 000
Red Ant Security Relocation and Eviction Services (Pty) Ltd	N Lesiela - Organisational Practitioner for Mogale City Local Municipality- note 1	-	3 000 000
Red Ant Security Relocation and Eviction Services (Pty) Ltd	N Lesiela - Organisational Practitioner for Mogale City Local Municipality - note 2	-	7 743 864
		-	-
		-	**17 943 864**

Note 1 - Red Ant Security Relocation and Eviction Services (Pty) Ltd - rendering of meter reading services.

Note 2 - Red Ant Security Relocation and Eviction Services (Pty) Ltd - disconnection / reconnection of electricity and restriction of water

59. Budget differences

Material differences between budget and actual amounts

The total expenditure for the year was less than the approved expenditure budget. Refer to the statement of comparison of budget and actual amounts for additional information. The state of National Diseaster and Lockdown imposed by the government resulted in a slowdown of spending. In addition the municipality also managed cost containment diligently.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

60. BBBEE Performance

Information on compliance with the B-BBEE Act is included in the annual report under the section titled B-BBEE Compliance Performance Information.