Greater Giyani Municipality
Audited Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Greater Giyani Municipality is a municipality performing functions set out in the Constitution (Act 108 of 1996). Providing services to the community as covered in the jurisdiction.
Mayoral committee	
Mayor	Cllr Shibambu Basani Agnes
Speaker	Cllr Hlungwani Mafemani Patric
Chief Whip	Cllr Mashale Masenyani Richard
Exco Member	Cllr Ndaba Khensani Harmony Pretty (Corporate and Shared Services)
Exco Member	Cllr Manganyi Khazamula Abraham (Finance)
Exco Member	Cllr Baloyi Tintswalo Elizabeth (Infrastructure)
Exco Member	Cllr Mabulana Peter Sello (Office of the Mayor)
Exco Member	Cllr Bilankulu John Hlengani (Health and Social Development)
Exco Member	Cllr Mthombeni Africa Mavhayisi (Water Sanitation and Energy)
Exco Member	Cllr Mabunda Elisa Nkhensani (Planning and LED)
Exco Member	Cllr Makhubela Hlupheka Winnie (Sports Arts and Recreation)
Exco Member	Cllr Mathebula Sasavona Salva (Public Roads and Transport)
MPAC Chairperson	Cllr Mabasa Rhulani Oral
	Cllr Baloyi Douglas Emmanuel
	Cllr Mthombeni Mchacha William
	Cllr Makubele Sophie
	Cllr Malungana Elia
	Cllr Makhubele Thankyou Mbhizo
	Cllr Valoyi Xavelela Judith
	Cllr Mboweni Agrey Ernest
	Cllr Kubani Sevha Solomon
	Cllr Kobane Gezani Eric
	Cllr Mthombeni Tsakani Noria
	Cllr Ndlovu Tiyani Lawrance
	Cllr Makoseni Fumani Clerence
	Cllr Mokgobi Phillip Thomane
	Cllr Masenyani Adolph
	Cllr Chauke Mukhachani Juring
	Cllr Mhlongo Mashau Calvin
	Cllr Mthombeni Amukelani Florah
	Cllr Cllr Khpsa Jabulani Samuel
	Cllr Mahlawule Soyaphi Clavin
	Cllr Manganyi Tintswalo Constance
	Cllr Rikhotso Hlayiseka Roger
	Cllr Mashele Basani Ivy
	Cllr Gaveni Bridget
	Cllr Ngobeni Risimati Edward
	Cllr Rikhotso Risimati Christopher
	Cllr Khosa Ringeta Sally
	Cllr Maluleke Noel
	Cllr Mkansi Xigiya Ben
	Cllr Mthombeni Sizeka George
	Cllr Mashimbye Dzuni Calvin

General Information

	Cllr Shivuri Daison Tinyiko Cllr Makhubele Masenyani Jackson Cllr Zitha Thandazo Christinah Cllr Shimange Fazi Mikateko Irene Clly Khadlhela Nomsa Rachel Cllr ZItha Thandi Cllr Baloyi Nyiko Nyumisani Cllr Siweya Cynthia Masingita Cllr Maluleka Tinyiko Rose Cllr Sekgobela Reginah Ntsako Cllr Manganyi Sevha Vusi Cllr Madzunye Nhlamulo Mavis Cllr Hlungwani Mbannadla Patrick Cllr Shivambu Hasani Richard Cllr Chauke Masenyani Thomas Cllr Mazivuko Patric Cllr Nkuna Soyaphi Robert Cllr Mathevula Mthakathi Prince Cllr Makamu Mafakhate Alpheus
Grading of local authority	3
Accounting Officer	M M Chauke
Chief Finance Officer (CFO)	N Muhlari (Acting)
Business address	BA 59 Civic Centre Giyani CBD 0826
Postal address	Private Bag X9559 Giyani 0826
Bankers	ABSA Giyani Branch
Auditors	Auditor General South Africa (AGSA)
Preparer	The audited annual financial statements were compiled by: N Muhlari (Acting Chief Financial Officer)
Website	www.greatergiyani.gov.za

Index

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

ABBREVIATIONS

AO	Accounting Officer
CFO	Chief Financial Officer
EPWP	Expanded Public Works Programs
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
INEG	Intergrated National Electrification Grant
LGSETA	Local Goverment Sector Education and Training Authority
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
PAYE	Pay As You Earn
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Compensation for Occupational Injuries and Diseases

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the audited 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 audited annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

The audited annual financial statements set out on page 8 -71, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2019 and were signed on its behalf by:

M.M Chauke
Municipal Manager

Audit Committee Report

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This report is provided by the Audit Committee in respect of the Annual Financial Statement for the year 30 June 2019.

Audit Committee Report

Audit committee members and number of meetings attended

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 4 meetings were held.

Name of member	Number of meetings attended
Ngobeni SAB (Chairperson)	4
Hlomane HG	4
Chauke NM	4
Ramutshell MP	2

Audit committee responsibility

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

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

Evaluation of audited annual financial statements

The audit committee has:

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

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

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

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

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Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

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

1. Review of activities

Main business and operations

Net surplus of the municipality was R 44 308 645 (2018: deficit R 130 457 046).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 925 466 080 and that the municipality's total liabilities exceed its assets by R 925 466 080.

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

3. Subsequent events

The accounting officer is not aware of any matters or circumstance arising since the end of annual financial statements.

4. Accounting Officer

The accounting officer for the municipality during the year under review was:

Chauke M M

5. Auditors

Auditor General South Africa (AGSA) will continue in office for the next financial period.

6. Changes in mayors

Cllr Mathebula Sasavona Agnes 01 July 2018 to 31 December 2018.

Cllr Shibambu Basani Agnes 01 January 2019 to date.

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	9	2 335 282	3 293 466
Other financial assets	7	-	-
Receivables from exchange transactions	10	20 502 101	16 100 756
Receivables from non-exchange transactions	11	48 757 634	37 812 058
VAT receivable	12	7 840 071	5 452 599
Other receivables from exchange transactions	13	17 571 257	12 424 493
Cash and cash equivalents	14	40 596 564	14 422 164
		137 602 909	**89 505 536**
Non-Current Assets			
Investment property	3	20 270 000	20 270 000
Property, plant and equipment	4	902 097 273	907 018 363
Intangible assets	5	630 045	405 379
Heritage assets	6	206 303	206 303
		923 203 621	**927 900 045**
Total Assets		**1 060 806 530**	**1 017 405 581**
Liabilities			
Current Liabilities			
Finance lease obligation	15	706 994	582 651
Payables from exchange transactions	18	70 454 226	68 873 053
Employee benefit obligation	8	321 080	2 641 731
Unspent conditional grants and receipts	16	2 961 531	5 465 566
		74 443 831	**77 563 001**
Non-Current Liabilities			
Finance lease obligation	15	480 166	1 187 160
Employee benefit obligation	8	23 392 221	21 653 049
Provision for rehabilitation of landfillsite	17	37 024 232	35 844 939
		60 896 619	**58 685 148**
Total Liabilities		**135 340 450**	**136 248 149**
Net Assets		**925 466 080**	**881 157 432**
Accumulated surplus		925 466 080	881 157 432

* See Note 43

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	4 685 205	4 594 593
Rental of facilities and equipment	21	959 362	838 872
Interest received (overdue accounts)		15 154 966	12 205 023
Agency services		240 071	226 696
Licences and permits	23	5 716 227	5 160 503
Retention fee recovered		-	370 882
Gain on fair value measurement		-	171 037
Bad debts recovered		2 891	-
Other income	25	1 716 141	1 579 115
Interest received - investment	26	5 053 436	11 958 996
Actuarial gains		318 630	2 926 313
Total revenue from exchange transactions		**33 846 929**	**40 032 030**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	27	40 659 276	35 682 833
Traffic fines		14 710 466	6 256 181
Transfer revenue			
Government grants & subsidies	28	332 419 573	343 970 662
Total revenue from non-exchange transactions		**387 789 315**	**385 909 676**
Total revenue	19	**421 636 244**	**425 941 706**
Expenditure			
Employee related costs	29	(133 755 511)	(130 475 658)
Remuneration of councilors	30	(23 414 670)	(22 238 012)
Depreciation and amortisation	31	(85 910 461)	(84 126 532)
Impairment loss/ reversal of impairments	32	(34 700)	(159 992 951)
Finance costs	33	(1 474 150)	(111 400)
Lease rentals on operating lease	24	(1 669 656)	(1 576 580)
Debt impairment	34	(29 173 345)	(39 890 852)
Bad debts written off	35	-	(2 816 107)
Rehabilitation of landfillsite		-	(21 484 795)
Contracted services	36	(35 304 962)	(34 614 406)
Loss on assets written off		(7 327)	-
Repairs and maitenance		(4 474 599)	(2 879 293)
General expenses	37	(62 108 218)	(56 192 166)
Total expenditure		**(377 327 599)**	**(556 398 752)**
Surplus (deficit) for the year		**44 308 645**	**(130 457 046)**

* See Note 43

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 002 921 535	1 002 921 535
Adjustments		
Correction of errors	8 692 943	8 692 943
Balance at 01 July 2017 as restated*	**1 011 614 478**	**1 011 614 478**
Changes in net assets		
Surplus for the year	(130 457 046)	(130 457 046)
Total changes	(130 457 046)	(130 457 046)
Balance at 01 July 2018 as restated*	**881 157 435**	**881 157 435**
Changes in net assets		
Deficit for the year	44 308 645	44 308 645
Total changes	44 308 645	44 308 645
Balance at 30 June 2019	**925 466 080**	**925 466 080**

Note(s)

* See Note 43

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Cash receipts from customers		32 012 905	25 142 240
Grants and subsidies		329 915 538	340 055 882
Interest income		5 053 436	11 958 996
		366 981 879	377 157 118
Payments			
Employee costs		(157 751 660)	(152 604 708)
Suppliers		(99 742 956)	(83 373 802)
Finance costs		(1 474 145)	(111 400)
		(258 968 761)	(236 089 910)
Net cash flows from operating activities	39	**108 013 118**	**141 067 208**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(79 202 667)	(135 664 258)
Purchase of other intangible assets	5	(2 053 400)	(1 546 384)
Movement on financial assets		-	(56 297 308)
Net cash flows from investing activities		**(81 256 067)**	**(193 507 950)**
Cash flows from financing activities			
Finance lease payments		(582 651)	1 769 811
Net increase/(decrease) in cash and cash equivalents		**26 174 400**	**(50 670 931)**
Cash and cash equivalents at the beginning of the year		14 422 164	65 093 100
Cash and cash equivalents at the end of the year	14	**40 596 564**	**14 422 169**

* See Note 43

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	4 700 000	600 000	**5 300 000**	4 685 205	**(614 795)**	**A**
Rental of facilities and equipment	788 000	224 000	**1 012 000**	959 362	**(52 638)**	**B**
Interest received (overdue accounts)	6 000 000	(4 000 000)	**2 000 000**	15 154 966	**13 154 966**	**C**
Agency services	-	-	**-**	240 071	**240 071**	**D**
Licences and permits	7 300 000	(2 220 000)	**5 080 000**	5 716 227	**636 227**	**E**
Bad debts recovered	-	-	**-**	2 891	**2 891**	**F**
Other income	22 956 330	(20 961 730)	**1 994 600**	1 716 141	**(278 459)**	**G**
Interest received - investment	15 200 000	(10 320 000)	**4 880 000**	5 053 436	**173 436**	**H**
Acturial gains	-	-	**-**	318 630	**318 630**	
Total revenue from exchange transactions	**56 944 330**	**(36 677 730)**	**20 266 600**	**33 846 929**	**13 580 329**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	35 000 000	3 000 000	**38 000 000**	40 659 276	**2 659 276**	
Traffic fines	32 000	2 168 000	**2 200 000**	14 710 466	**12 510 466**	**F**
Transfer revenue						
Government grants & subsidies	330 068 000	5 335 566	**335 403 566**	332 419 573	**(2 983 993)**	
Total revenue from non-exchange transactions	**365 100 000**	**10 503 566**	**375 603 566**	**387 789 315**	**12 185 749**	
Total revenue	**422 044 330**	**(26 174 164)**	**395 870 166**	**421 636 244**	**25 766 078**	
Expenditure						
Personnel	(151 802 412)	12 147 373	**(139 655 039)**	(133 755 511)	**5 899 528**	
Remuneration of councilors	(24 022 067)	1 100 635	**(22 921 432)**	(23 414 670)	**(493 238)**	
Depreciation and amortisation	(30 000 000)	-	**(30 000 000)**	(85 910 461)	**(55 910 461)**	**G**
Impairment loss/ Reversal of impairments	-	-	**-**	(34 700)	**(34 700)**	
Finance costs	-	-	**-**	(1 474 150)	**(1 474 150)**	
Lease rentals on operating lease	(1 300 000)	(500 000)	**(1 800 000)**	(1 669 656)	**130 344**	
Debt Impairment	(10 000 000)	-	**(10 000 000)**	(29 173 345)	**(19 173 345)**	**H**
Repairs and maintenance	(18 184 000)	3 874 000	**(14 310 000)**	(4 474 599)	**9 835 401**	
Contracted Services	(61 294 452)	(14 362 195)	**(75 656 647)**	(35 304 962)	**40 351 685**	**I**
Loss on assets written off	-	-	**-**	(7 327)	**(7 327)**	
General Expenses	(55 292 052)	(2 177 917)	**(57 469 969)**	(62 108 218)	**(4 638 249)**	
Total expenditure	**(351 894 983)**	**81 896**	**(351 813 087)**	**(377 327 599)**	**(25 514 512)**	
Surplus before taxation	**70 149 347**	**(26 092 268)**	**44 057 079**	**44 308 645**	**251 566**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**70 149 347**	**(26 092 268)**	**44 057 079**	**44 308 645**	**251 566**	

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

A - Service charges: The municipality's debtor book keeps on increasing because customers are not paying account

B - Rental of facilities and equipment: It depends on customers needs

C - Interest received on overdue accounts: The municipality's debtor book keeps on increasing because customers are not paying accounts.

D - Agency services:
Agency fees was not budgeted for during the current year.

E. Licence and permits: The source of income is client based and many customers showed interest in the services rendered by the municipality.

F - Other income: The municipality reclassified cemetery charges to services charges

G - Bad debts recovered: Bad debts recovered was not budgeted in the current year.

H - Traffic fines: The municipality introduced mobile speed law enforcement equipment and monthly roadblock operation to enforce payments for summoned issued.

I - Depreciation: There were new assets additions for moveable and immovable, therefore more depreciation was calculated.

J - Debt impairment: A retrospective adjustment to account for completeness of property rates was performed for 2018/19 which had a significant impact on the impairment for the year

K - Finance cost: Finance cost budget is sitting under acquisition of leased computer equipment budget.

L - Property rates:
A retrospective adjustment to account for completeness of property rates was performed for 2018/19 which had a significant impact on the impairment for the year.

M - Contracted services: Electrification of villages expenditure has been reclassified under WIP.

N- General expenses: Appointment of pool of maintenance contractors was only done in June 2019.

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

EXPLANATION OF DIFFERENCES BETWEEN APPROVED BUDGET AND ADJUSTED BUDGET

1. Service Charges : The budget for services charges was increased during the adjustment budget after reviewing the collection trend for the first 6 months.

2. Rental of facilities and equipment: The budget was increased during the year due to the upward collection rates for the services from July to December 2018.

3. Licences and permits: The budget was decreased during the year after the collection trends for the first 6 months.

4. Other income:
Budget for VAT receivable was included under other income during the adjustment processes.

5. Interest on Investment: The budget decreased due to the two VBS investments accounts which were impaired.

6. Traffic fines: The budget was increased based on the collection rates in the first 6 months

7. Government Grants & subsidies:
The budget was increased because of the roll over of INEP of R 5,4m which was approved by National Treasury.

8. Employee related cost: The budget was decreased due to the budgeted positions which were not billed for the first six months.

9. Remuneration of councilors: The budget was increased due to the changes in upper limits of councilors.

10. Lease rentals on operating lease: The budget was increased after reviewing the payments for leases for the first six months.

11. Contracted services: Electricity project budget has increased as results of INEP roll over approved.

12. General expenses:
Some of the expenses were increased during the budget adjustment after reviewing actual during the first 6 months.

13. Impairment los / Reversal of impaiment: It is as a result of assets impaired after adjustments budget

14. Loss on assets written:
It is a results of assets written off after adjustment Budget.

15. Repairs and maitenance: Appoint of pool of contractors were only made in June 2019.

Accounting Policies

1. Presentation of Audited Annual Financial Statements

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

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

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

These audited 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 6 months.

1.3 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating and non-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Post retirement benefits

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Allowance for doubtful debts

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

1.4 Investment property

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

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

Investment property is initially recognised and subsequently at cost.

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.

1.5 Property, plant and equipment

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

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	
• Graders		5-15 years
• Tractors		5-15 years
• Lawn mowers		5-15 years
• Compressors		5-15 years
• Radio equipment		5-15 years
• Tippers		15 years
Furniture and fixtures	Straight line	
• Chairs		5-10 years
• Tables and desks		5-10 years
• Cabinets and cupboards		5-10 years
Motor vehicles	Straight line	
• Truck and light delivery vehicles		5-7 years
• Ordinary motor vehicles		3-20 years
Office equipment	Straight line	
• Office machines		3-5 years
• Air conditioners		5-8 years
IT equipment	Straight line	
• Computer hardware		3-9 years

1.5 Property, plant and equipment (continued)

Community	Straight line	
• Cemeteries		25-30 years
• Community halls		25-30 years
• Libraries		25-30 years
• Parks		30 years
• Recreation centres		30 years
• Sports and related stadiums		25-30 years
• Tenins courts		10-30 years
• Golf courses		10-30 years
• Outdoor sports facilities		10-30 years
• Flood lighting		10-30 years
Roads and road furniture	Straight line	
• Other roads		10 years
• Traffic islands		15 years
• Traffic lights		20 years
• Streets lights		20-25 years
• Overhead bridges		30 years
• Stormwater drains		20 years
• Bridges, subways and culverts		60-80 years
• Car parks		20 years
• Bus terminals		20 years
Bins and containers	Straight line	
• Bulk refuse containers (skips)		10 years
• Household refuse bins	Stright line	5 years
Emergency equipment	Straight line	
• Fire hoses		5 years
• Other fire fighting equipment		15 years
• Emergency equipment		5 years
Heritage	Straight line	
• Mayoral chain		No asset life as no depreciation charge
• Mace	Straight line	No asset life as no depreciation charge
• Mayoral gown	Straight line	No asset life as no depreciation charge

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

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

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

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.

Accounting Policies

1.6 Intangible assets

An intangible asset is recognised when:

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

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

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

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

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

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

Item	Depreciation method	Average useful life
Computer software - licences	Straight line	12 months

1.7 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. No asset lives are allocated.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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.

Derecognition

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

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

Accounting Policies

1.8 Financial instruments

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

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

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

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

Initial recognition

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

Initial measurement of financial assets and financial liabilities

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

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, or cost, are subject to an impairment review.

Fair value measurement considerations

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

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or

Accounting Policies

1.8 Financial instruments (continued)

- an investment in a residual interest that meets the requirements for reclassification.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

1.9 Leases

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

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

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.10 Inventories

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

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

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

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

The cost of inventories comprises of all costs of purchase.

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

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

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

1.11 Impairment of cash-generating assets

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

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

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

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

1.11 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

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 risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.11 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

The predestination 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.

1.12 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

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

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

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.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

Redesignation

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

1.13 Employee benefits

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

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

Accounting Policies

1.13 Employee benefits (continued)

Short-term employee benefits

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

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

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

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

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

Post-employment benefits

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

Post-employment benefits: Defined contribution plans

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

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

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Employee benefits (continued)

The entity 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 audited annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

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

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

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

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

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

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

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.

1.13 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:
- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

1.14 Provisions and contingencies

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

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

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.

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

Provision for rehabilitation of landfill site is determined by the expert (Quantity Surveyor) and it is initially and subsequently recognised at cost.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

Accounting Policies

1.14 Provisions and contingencies (continued)

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 alter the revaluation surplus or deficit previously recognised on that asset, so that:
  1. a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  2. an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

1.15 Commitments

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

Disclosures are required in respect of recognised contractual commitments.

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

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

1.16 Revenue from exchange transactions

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

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

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

Measurement

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

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised, in surplus or deficit, using the effective interest rate method.8

1.17 Revenue from non-exchange transactions

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

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

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. All estimates of revenue should based on amounts collectible, not previously collected.

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

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

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Recognition

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

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

Measurement

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

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

Taxes

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 taxable event for value added tax is the undertaking of taxable activity during the taxation period by the taxpayer.

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

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

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Fines

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 all fines issued as the inflow of resources to the municipality.

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

Gifts and donations, including goods in-kind

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

1.18 Investment income

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

1.19 Comparative figures

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

1.20 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.21 Fruitless and wasteful expenditure

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

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

1.22 Irregular expenditure

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

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

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

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

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

1.23 Budget information

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

Accounting Policies

1.23 Budget information (continued)

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

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

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

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

The audited 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.

Comparative information is not required.

1.24 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.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

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 audited annual financial statements.

1.25 Events after reporting date

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

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

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

Accounting Policies

1.25 Events after reporting date (continued)

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

1.26 Value-Added-Tax

The municipality is a registered VAT vendor and account for VAT on a payment basis.

The following rates are applicable:

Standard rated supplies (15%)

Zero rated supplies (0%)

Exempted supplies (-)

Notes to the Audited Annual Financial Statements

2. New standards and interpretations

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 2019 or later periods:

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

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

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

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

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

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

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

Notes to the Audited Annual Financial Statements

- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2019 audited annual financial statements.

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

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

2.2 Standards and interpretations not yet effective or relevant

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

GRAP 104 (amended): Financial Instruments

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

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

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

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

The municipality does not envisage the adoption of the amendment until such time as it becomes applicable to the municipality's operations.

GRAP 1 (amended): Presentation of Financial Statements

Notes to the Audited Annual 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

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

3. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	20 270 000	-	20 270 000	20 270 000	-	20 270 000

Reconciliation of investment property - 2019

	Opening balance	**Total**
Investment property	20 270 000	20 270 000

Reconciliation of investment property - 2018

	Opening balance	**Derecognition of property**	**Recognition of property**	**Total**
Investment property	11 196 000	(60 000)	9 134 000	20 270 000

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.

Investment property is not held as colleteral.

4. Property, plant and equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	205 000	-	205 000	205 000	-	205 000
Buildings	125 573 237	(20 019 238)	105 553 999	120 856 542	(17 820 721)	103 035 821
Plant and machinery	11 892 654	(7 802 142)	4 090 512	14 596 052	(10 293 839)	4 302 213
Furniture and fixtures	1 790 270	(1 396 308)	393 962	1 836 704	(1 202 919)	633 785
Motor vehicles	13 968 566	(6 276 562)	7 692 004	13 425 764	(5 465 966)	7 959 798
Office equipment	841 667	(422 319)	419 348	704 696	(299 053)	405 643
IT equipment	4 373 145	(2 958 490)	1 414 655	4 009 203	(2 530 415)	1 478 788
Infrastructure	929 469 839	(273 205 338)	656 264 501	865 538 408	(198 198 813)	667 339 595
Community	145 127 543	(20 958 873)	124 168 670	137 688 874	(18 288 410)	119 400 464
Other leased Assets	1 924 731	(501 106)	1 423 625	1 924 731	(116 160)	1 808 571
Air conditioners	1 008 705	(537 708)	470 997	953 189	(504 504)	448 685
Total	**1 236 175 357**	**(334 078 084)**	**902 097 273**	**1 161 739 163**	**(254 720 800)**	**907 018 363**

Notes to the Audited Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers Out	WIP	Depreciation	Impairment loss	Loss on Assets written off	Total
Land	205 000	-	-	-	-	-	-	-	205 000
Buildings	103 035 821	-	-	-	4 716 695	(2 198 517)	-	-	105 553 999
Plant and machinery	4 302 213	1 317 248	-	-	-	(1 517 923)	(10 035)	(991)	4 090 512
Furniture and fixtures	633 785	-	-	-	-	(238 138)	(1 032)	(653)	393 962
Motor vehicles	7 959 798	1 099 973	-	-	-	(1 346 569)	(21 198)	-	7 692 004
Office equipment	405 643	173 786	-	-	-	(160 081)	-	-	419 348
IT equipment	1 478 788	407 465	-	-	-	(469 163)	(2 435)	-	1 414 655
Infrastructure	667 339 595	-	20 984 548	(20 984 548)	63 933 015	(75 006 525)	-	(1 584)	656 264 501
Community	119 400 464	-	-	-	7 438 669	(2 670 463)	-	-	124 168 670
Finance lease assets	1 808 571	-	-	-	-	(384 946)	-	-	1 423 625
Air conditioners	448 685	115 814	-	-	-	(89 402)	-	(4 100)	470 997
	907 018 363	**3 114 286**	**20 984 548**	**(20 984 548)**	**76 088 379**	**(84 081 727)**	**(34 700)**	**(7 328)**	**902 097 273**

Notes to the Audited Annual Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers Out	WIP	Depreciation	Impairment loss	Corrections of prior year errors	Total
Land	205 000	-	-	-	-	-	-	-	205 000
Buildings	89 381 686	152 842	-	-	15 693 480	(2 192 187)	-	-	103 035 821
Plant and machinery	5 578 351	1 481 827	-	-	-	(2 121 290)	(721 360)	84 685	4 302 213
Furniture and fixtures	760 456	127 464	-	-	-	(261 657)	(308)	7 830	633 785
Motor vehicles	5 936 070	902 398	-	-	-	(1 707 177)	-	2 828 507	7 959 798
Office equipment	210 238	286 466	-	-	-	(115 737)	(1 297)	25 973	405 643
IT equipment	1 178 223	835 491	-	-	-	(530 652)	(7 294)	3 020	1 478 788
Infrastructure	668 123 808	209 425	52 249 348	(52 249 348)	76 889 808	(73 010 988)	-	(4 872 458)	667 339 595
Community	84 677 387	-	21 090 977	(21 090 977)	36 895 345	(2 424 247)	-	251 979	119 400 464
Finance leased assets	-	1 924 731	-	-	-	(116 160)	-	-	1 808 571
Air conditioners	296 731	264 981	-	-	-	(113 027)	-	-	448 685
	856 347 950	**6 185 625**	**73 340 325**	**(73 340 325)**	**129 478 633**	**(82 593 122)**	**(730 259)**	**(1 670 464)**	**907 018 363**

Property, plant and equipment are not held for collateral.

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	78 717 186	71 458 755	58 564 487	208 740 428
Additions/capital expenditure	63 933 015	7 438 669	4 716 695	76 088 379
Transferred to completed items	(20 984 548)	-	-	(20 984 548)
	121 665 653	**78 897 424**	**63 281 182**	**263 844 259**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	54 081 193	55 654 387	42 871 007	152 606 587
Additions/Capital expenditure	76 885 318	36 895 345	15 693 480	129 478 633
Transferred to completed items	(52 249 325)	(21 090 977)	-	(73 340 302)
	78 717 186	**71 458 755**	**58 564 487**	**208 744 918**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previuos reporting period(s), including reasons and any impairment loses recognised in relation to these assets:

	2019	2018
A. Waste disposal site development	19 892 483	19 892 483
B. Development of Giyani section E sports centre	25 463 079	25 463 079
C. Access road to tribal offices	2 982 099	2 982 099
D. Homu 14B to 14A Upgrading from gravel to tar	10 684 240	7 440 606
E. Ndhambi Taxi rank	591 840	591 840
F. Civic centre building phase 3	63 281 182	58 564 487
G. Refurbishment of Giyani Stadium	1 800 822	1 800 823
H. Nkomo A Upgrading from Gravel to Tar	1 314 909	1 314 909
	126 010 654	**118 050 326**

Reasons for halting construction or development

A. Waste disposal site development - The project was on hold due to litigations, the contractor terminated his contract with the municipality.

B. Development of Giyani section E sports centre - The project has exhausted the MIG funding due to other scope of work which were not registered on MIG.

C. **Access road to tribal offices** - A consultant was appointed to do designs which are completed. However the project could not be registered on MIG due to the project description which MIG was not approving. The name changing was effected through our internal municipal processes. Preparations to appraise the project for registration are underway.

D. Homu 14B to 14A Upgrading from gravel to tar - The project was put on hold due to community issues in relation to the project design, however such issues were resolved and the project is currently running.

E. **Ndhambi Taxi rank** - Consultants were appointed to do the designs which are completed. The project is due to be appraised for registration on MIG. GGM was over committed to register the project in the previous financial years, hence it’s committed under 2020/2021.

F. Civic centre building phase 3 - Civic centre phase 2 was completed as per the scope of work appointed to the contractor. Greater Giyani Municipality appointed a contractor on phase 3 which is currently running and expected to be completed during the 2019/20 financial year

G. Refurbishment of Giyani Stadium - The project came to a halt due to unresolved community issues.

H. Nkomo A Upgrading from gravel to tar - Consultant was appointed to do design which are now completed. Delays were caused by registration of project on MIG which was disapproved. MIG (National Treasury) no longer fund District roads. The project is currently on Tender funded through LGES.

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

5. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	6 256 608	(5 626 563)	630 045	4 203 208	(3 797 829)	405 379

Reconciliation of intangible assets - 2019

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	405 379	2 053 400	(1 828 734)	630 045

Reconciliation of intangible assets - 2018

	Opening balance	**Additions**	**Amortisation**	**Total**
Computer software	402 763	1 546 384	(1 543 768)	405 379

Intangible assets are not held as collateral.

Notes to the Audited Annual Financial Statements

Figures in Rand

6. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage Assets	206 303	-	206 303	206 303	-	206 303

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Heritage Assets	206 303	206 303

Reconciliation of heritage assets 2018

	Opening balance	**Corrections of prior year errors**	**Total**
Heritage Assets	171 053	35 250	206 303

Heritage assets are not held as collateral.

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018
7. Other financial assets		
Designated at fair value		
VBS Investments	159 262 692	159 262 692
Residual interest at cost		
Impairments	(159 262 692)	(159 262 692)
	-	

Impairment is provided for investment in VBS as per National Treasury communication due to the bank being put under curatorship and the possibility that the capital invested might be irrecoverable. The status remain the same even in 2018 2019 financial year.

8. Employee benefit obligations

Defined benefit plan

The effective date of the valuation is 30 June 2019 (the “Valuation Date 30 June 2019).

The valuation considers all employees, retirees and their dependants whose participation in the health care arrangements entitles them to a post-employment medical aid subsidy. The post-employment health care liability is not a funded arrangement, i.e. no separate assets have been set aside to meet this liability.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement. All subsidies are subject to a maximum of R 4 218.17 for the year ending 30 June 2020. The maximum subsidy amount has been assumed to increase in the future at 7.5% of salary inflation.

Table below shows the development of the accrued liability over the current period, and projects the Municipality’s Unfunded Accrued Liability and periodic costs over the two-year period following the Valuation Date.

Past year and future projected liability	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening accrued liability	**17 131 057**	**16 504 209**	**18 884 884**
Current service cost	1 037 383	928 478	1 233 262
Interest cost	1 738 491	1 633 917	2 020 683
Less: Mopani employee benefits	-	-	-
Total annual expense	**2 775 874**	**2 562 395**	**3 253 945**
Actuarial loss/(gain)	(3 402 722)	(181 720)	-
Closing accrued liability	**16 504 209**	**18 884 884**	**22 138 829**

Notes

- These projections assume that the Municipality’s health care arrangements and subsidy policy will remain as outlined above, and that all the actuarial assumptions made are borne out in practice. In addition, it is assumed that no contributions are made by the Municipality towards prefunding its liability via an off-balance sheet vehicle.
- Contributions or benefits paid refer to medical scheme contributions made by the Municipality with respect to its subsidy of current continuation members.
- There are no Past Service Costs, Curtailments or Settlements to reflect.

Long service award

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

The salaries used in the valuation include an assumed increase on 1 July 2019 of 7% as per the SALGBC Circular No.: 02/2017. The next salary increase was assumed to take place on 1 July 2020.

The accrued liabilities and the plan assets for the current period and the previous four periods.

Liability History	30 June 2018	30 June 2019	30 June 2020
Opening accrued liability	5 435 121	6 384 849	4 891 500
Current service cost	498 442	517 458	466 133
Interest cost	431 940	437 514	365 230
Payments made during the year	(58 607)	(2 374 494)	(321 080)
Actuarial loss/(gain)	476 408	(136 910)	-
Closing accrued liability	**6 783 304**	**4 828 417**	**5 401 783**

Figures in Rand	2019	2018

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7,72 %	8,33 %
CPI	5,00 %	4,15 %
Salary increase rate	6,00 %	5,15 %
Net Discount Rate	2,20 %	2,44 %

9. Inventories

Consumable stores	2 335 282	3 293 466

9.1 Reconcilliation

Opening balance	3 293 466	1 469 766
Add: purchases	6 121 070	8 948 659
Less: Consumables during the year	(4 680 661)	(5 423 307)
Less: Inventory on hand (Mopani)	(2 398 593)	(1 701 652)
	2 335 282	**3 293 466**

10. Receivables from exchange transactions

Inter Municipal Account (Mopani District Municipality)	16 925 521	12 800 025
Agency fee(Mopani District Municipality)	3 140 891	2 900 820
Sundry receivables	3 596 581	3 596 581
Accrued interest receivable	397 134	392 599
Staff receivables	6 372	9 263
Payroll debtors	38 915	7 672
Sundry Receivables - Provision for doubtful debts	(3 603 313)	(3 606 204)
	20 502 101	**16 100 756**

Staff recievables of R 9 263 relate to to the overpayment of salaries to the coucillors. The amount is supposed to be paid back to the Municipality by the councillors over the period of 6 months starting from July 2018. This is as per the council resolution taken by the Greater Giyani Municipal Council.

Sundry debtors of R 3 596 581 relates to sale of stands through an auction during 2009. The balance in this attorneys trust account is unknown. Due to the dispute with the auctioneer, the outstanding amount was never paid to the Municipality and as a result , it was provided for in full based on the credit control policy.

11. Receivables from non-exchange transactions

Traffic fines	20 280 334	7 527 584
Consumer debtors - Rates	143 903 518	120 836 421
Provision for impairment - consumer debtors	(102 739 203)	(88 969 482)
Provision for impairment - Traffic fines	(12 687 015)	(1 582 465)
	48 757 634	**37 812 058**

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

Opening balance	(90 551 947)	(56 298 325)
Provision for impairment - Consumer debtors	(13 769 721)	(32 671 157)
Provision for impairment - Consumer traffic fines	(11 104 550)	(1 582 465)
	(115 426 218)	**(90 551 947)**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

12. VAT receivable

VAT	7 840 071	5 452 599

VAT receivable is a net result of Input VAT which is (Receivable from SARS) and Output VAT which is (Payable to SARS).

The municipality is predominantly funded by Government Grants which are zero rated. Therefore, Input VAT has been claimed which has not been received as yet.

Output VAT is paid over to SARS only when payment is received from debtors.

13. Receivables from exchange transactions

Gross balances		
Debtors with credit balances	3 947 418	2 504 189
Refuse	25 776 431	24 391 098
Housing rental	5 356 084	4 608 674
Cementries	9 912 508	4 054 343
	44 992 441	**35 558 304**
Less: Allowance for impairment		
Refuse	(17 220 608)	(17 076 729)
Housing rental	(3 578 270)	(3 226 631)
Cemeteries	(6 622 306)	(2 830 451)
	(27 421 184)	**(23 133 811)**
Net balance		
Debtors with credit balances	3 947 418	2 504 189
Refuse	8 555 823	7 314 369
Housing rental	1 777 814	1 382 043
Cementries	3 290 202	1 223 892
	17 571 257	**12 424 493**
Rates		
Current (0 -30 days)	1 583 273	2 750 329
31 - 60 days	467 869	2 696 223
61 - 90 days	2 268 697	2 446 031
91 - 120 days	1 077 887	2 242 186
121 - 365 days	1 946 751	2 440 626
> 365 days	70 555 461	55 510 276
	77 899 938	**68 085 671**
Refuse		
Current (0 -30 days)	216 691	226 849
31 - 60 days	(126 511)	204 529
61 - 90 days	(225 921)	195 062
91 - 120 days	24 546	171 347
121 - 365 days	(21 132)	179 629
> 365 days	14 353 381	13 247 881
	14 221 054	**14 225 297**

Figures in Rand	2019	2018
Housing rental		
Current (0 -30 days)	40 711	41 644
31 - 60 days	40 511	42 044
61 - 90 days	40 611	41 844
91 - 120 days	41 501	40 944
121 - 365 days	41 101	44 444
> 365 days	3 604 648	3 114 606
	3 809 083	**3 325 526**

Cementries		
Current (0 -30 days)	(65 783)	19 603
31 - 60 days	(300 552)	21 408
61 - 90 days	(169 117)	20 271
91 - 120 days	(134 047)	19 518
121 - 365 days	(68 248)	18 217
> 365 days	1 229 548	(965 602)
	491 801	**(866 585)**

14. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	40 179 671	14 045 699
Short-term deposits	317 226	300 056
Other cash and cash equivalents	99 667	76 409
	40 596 564	**14 422 164**

The municipality had the following bank accounts

Account number / description	**Bank statement balances**			**Cash book balances**		
	30 June 2019	**30 June 2018**	**30 June 2017**	**30 June 2019**	**30 June 2018**	**30 June 2017**
FNB - Current Account - 71032635579	317 226	300 056	275 913	321 761	300 109	279 859
ABSA - Current Account - 4077078193	11 595 343	11 514 546	12 816 006	11 623 183	11 535 368	12 847 831
ABSA - Current Account - 4077078486	9 690 385	2 125 759	279 083	9 848 586	2 125 759	223 512
ABSA - Call Deposit - 4078155655	56 867	57 165	26 974 468	57 152	57 165	26 974 468
Investec - Momentum Income Plus Fund - 561313/435732/INIVIB	-	-	804 294	-	-	804 294
ABSA - Current Account - 4093302071	2 157 698	282 539	-	2 157 698	282 539	-
ABSA - Call Deposit - 4078155744	16 574 635	44 366	20 934 782	16 651 253	44 366	20 934 782
Total	**40 392 154**	**14 324 431**	**62 084 546**	**40 659 633**	**14 345 306**	**62 064 746**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

15. Finance lease obligation

Minimum lease payments due		
- within one year	877 508	877 508
- in second to fifth year inclusive	511 880	1 389 388
	1 389 388	2 266 896
less: future finance charges	(202 228)	(497 085)
Present value of minimum lease payments	**1 187 160**	**1 769 811**

Present value of minimum lease payments due		
- within one year	706 994	582 651
- in second to fifth year inclusive	480 166	1 187 160
	1 187 160	**1 769 811**

Non-current liabilities	480 166	1 187 160
Current liabilities	706 994	582 651
	1 187 160	**1 769 811**

It is municipality policy to lease computers under finance leases.

The average lease term is three years and the average effective borrowing rate was 19.5%.

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.

At the end of the finance lease contract, ownership of the leased assets will be retained by the municipality.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant (MIG)	2 961 531	-
Integrated National Electrification Grant (INEG)	-	5 465 566
	2 961 531	**5 465 566**

Movement during the year

Balance at the beginning of the year	5 465 566	9 380 346
Additions during the year	76 337 000	105 245 000
Income recognition during the year	(78 841 035)	(109 159 780)
	2 961 531	**5 465 566**

The nature and extent of government grants recognised in the audited 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.

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

17. Provision for rehabilitation of landfillsite

Reconciliation of provision for rehabilitation of landfillsite - 2019

	Opening Balance	Insterest charge	Carrying Amount
Environmental rehabilitation	35 844 939	1 179 293	37 024 232

Reconciliation of provision for rehabilitation of landfillsite - 2018

	Opening Balance	Additions	Carrying Amount
Environmental rehabilitation	14 360 144	21 484 795	35 844 939

The landfill rehabilitation is created for the rehabilitation of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is at Giyani Section Section C landfill site. The valuation for the landfill site was performed by Mr. Drickus Fourie (PrQS) from 4E Consulting (Pty) Ltd.

The 2019 discounted value of the landfill closure provision of R 37 024 232 represents an increase of R 1 179 293 compared to the provision of R 35 844 939 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs. The interest charge relating to the assessment amounts to R 1 179 293.

The landfill closure provision is calculated as the net present value of future cash flows based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2019.

18. Payables from exchange transactions

	2019	2018
Trade payables	15 347 838	18 471 640
Retentions	28 933 828	26 501 615
Accrued leave pay	16 304 407	16 063 425
Accrued 13th cheque	2 805 371	2 816 591
Payroll creditors	92 907	104 536
Unspecified direct deposits	3 022 457	2 411 057
Debtors with credit balances	3 947 418	2 504 189
	70 454 226	**68 873 053**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

Inter-municipal account - Mopani District Municipality

Accumulated Surplus - Mopani Intermucipal Account	**18 277 544**	**22 454 244**
Revenue - Water	14 056 132	10 919 204
Revenue - Sewerage	3 097 826	2 868 821
Revenue - Interest	6 968 277	5 775 452
Overhards- Employee related costs	(5 341 122)	(5 718 201)
Water and Sewerage connections	41 555	82 318
Overheads - Operational expenditure	(588 865)	-
Debt Impairment	(9 685 276)	(12 843 780)
Gains and losses on provisions	101 994	13 856
Accounts Receivable-Water	(94 203 234)	(108 899 453)
Accounts Receivable-Sewerage	(17 490 235)	(20 966 271)
Accounts Receivable-Interest	(42 041 878)	-
Trade payables	-	84 646
Inventory	(2 398 593)	(1 701 652)
Accrued leave	637 807	593 316
Accrued bonus	113 862	110 174
Long service awards	259 216	587 721
Post retirement medical contribution debts	996 333	818 001
Provision for doubtful debts	110 273 136	93 021 579
	(16 925 521)	**(12 800 025)**

19. Revenue

Service charges	4 685 205	4 594 593
Rental of facilities and equipment	959 362	838 872
Interest received (overdue accounts)	15 154 966	12 205 023
Agency services	240 071	226 696
Licences and permits	5 716 227	5 160 503
Retention fee recovered	-	370 882
Gain on fair value measurements	-	171 037
Bad debts recovered	2 891	-
Acturial gains	318 630	2 926 313
Other income	1 716 141	1 579 115
Interest received - investment	5 053 436	11 958 996
Property rates	40 659 276	35 682 833
Traffic fines	14 710 466	6 256 181
Government grants & subsidies	332 419 573	343 970 662
	421 636 244	**425 941 706**

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

Service charges	4 685 205	4 594 593
Rental of facilities and equipment	959 362	838 872
Interest received (overdue accounts)	15 154 966	12 205 023
Agency services	240 071	226 696
Licences and permits	5 716 227	5 160 503
Retention recovered	-	370 882
Gain on fair value measurements	-	171 037
Bad debts recovered	2 891	-
Other income	1 716 141	1 579 115
Acturial gains	318 630	2 926 313
Interest received - investment	5 053 436	11 958 996
	33 846 929	**40 032 030**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	40 659 276	35 682 833
Traffic fines	14 710 466	6 256 181
Transfer revenue		
Government grants & subsidies	332 419 573	343 970 662
	387 789 315	**385 909 676**

20. Service charges

Solid waste	4 477 862	4 397 673
Cementery	207 343	196 920
	4 685 205	**4 594 593**

21. Rental of facilities and equipment

Premises		
Community services	153 734	180 301
Housing rental	608 487	580 464
	762 221	**760 765**
Facilities and equipment		
Rental of facilities	197 141	78 107
	959 362	**838 872**

22. Agency services

Water and Sanitation	240 071	226 696

23. Licences and permits (exchange)

Licences and Permits	5 716 227	5 160 503

24. Lease rentals on operating lease

Premises		
Contractual amounts	1 669 656	1 576 580

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

25. Other income

Advertisement	128 870	114 437
Application fees	490	19 752
Building plans	280 215	136 489
Clearance certificates	13 125	11 512
Commission	61 345	-
Confirmation letters	326 326	366 778
Escort fees	11 666	15 779
Insurance recoveries	1 026	344
Library fees	3 378	3 785
Sale of grave plots	85 038	67 912
Sale of refuse bins	78 063	37 372
Skip bins	-	731
Sundry income	93 211	77 781
Tender documents	549 637	646 115
Transfer and registrations	83 751	80 328
	1 716 141	**1 579 115**

26. Investment revenue

Interest revenue		
Other financial assets	4 378 746	8 460 785
Bank	674 690	3 498 211
	5 053 436	**11 958 996**

27. Property rates

Rates received

Residential	12 818 917	11 452 704
Commercial	5 279 917	4 654 802
State	22 343 830	19 320 188
Public benefit organisations	111 153	171 051
Industrial	105 459	84 088
	40 659 276	**35 682 833**

Valuations

Residential	1 512 826 635	1 512 826 635
Commercial	252 340 307	252 340 307
State	203 350 902	203 350 902
Institute	163 803 300	163 803 300
Agricultural	300 000	300 000
Public Open Space	20 866 800	20 866 800
Sport Centre	870 000	870 000
Industrial	32 527 548	32 527 548
Nature Reserve	19 350 000	19 350 000
Churches	15 546 750	15 546 750
	2 221 782 242	**2 221 782 242**

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2013. Balances disclosed does not take into annual supplementary valuation, since supplementary valuation are flactuating either up or down.

The municipality has appointed a municipal property valuer to compile the supplementary valuation roll for 2018/19 and general valuation roll for 2019/20.

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

28. Government grants and subsidies

Operating grants		
Equitable share	253 351 000	234 578 000
Expanded Public Works Program (EPWP)	3 519 000	4 364 000
Finance Management Grant (FMG)	2 145 000	2 145 000
Local Govt Sector Education & Training Authority (LGSETA)	227 538	232 882
	259 242 538	**241 319 882**
Capital grants		
Municipal Infrastructure Grant (MIG)	56 511 469	88 116 346
Integrated National Electrification Grant (INEG)	16 665 566	14 534 434
	73 177 035	**102 650 780**
	332 419 573	**343 970 662**

Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	-	9 380 346
Current-year receipts	59 473 000	78 736 000
Conditions met - transferred to revenue	(56 511 469)	(88 116 346)
	2 961 531	**-**

Integrated National Electrification Grant (INEG)

Balance unspent at beginning of year	5 465 566	-
Current-year receipts	11 200 000	20 000 000
Conditions met - transferred to revenue	(16 665 566)	(14 534 434)
	-	**5 465 566**

Expanded Public Works Program (EPWP)

Current-year receipts	3 519 000	4 364 000
Conditions met - transferred to revenue	(3 519 000)	(4 364 000)
	-	**-**

Finance Management Grant (FMG)

Current-year receipts	2 145 000	2 145 000
Conditions met - transferred to revenue	(2 145 000)	(2 145 000)
	-	**-**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

29. Employee related costs

Basic	83 821 868	82 161 678
Medical aid - company contributions	3 828 963	3 467 547
UIF	608 164	613 912
WCA	704 415	681 655
SDL	1 002 535	877 722
Bargain council	34 088	47 837
Defined contribution plans	15 053 924	14 844 368
Leave and bonus provision	902 008	5 248 805
Overtime payments	5 565 272	5 419 190
Long-service awards	-	458 611
13th Cheques	6 046 550	5 865 361
Acting allowances	216 681	147 315
LSA and MPEMA provision	3 517 367	-
Car allowance	9 698 867	9 503 077
Housing benefits and allowances	273 619	452 410
Standby allowance	129 971	98 572
Leave pay	1 444 756	421 520
Night Shift	262 127	104 663
Clothing allowance	20 000	20 000
Cellphone allowance	487 960	-
Rural Allowance	136 376	41 415
	133 755 511	**130 475 658**

Remuneration of Municipal Manager

Annual Remuneration	1 028 252	495 788
Rural Allowance	46 776	23 388
Car Allowance	120 000	60 000
Contributions to UIF, SDL, Medical and Pension Funds	64 321	30 989
Acting allowance	-	52 238
Backpay	31 574	-
Cellphone Allowance	12 600	-
	1 303 523	**662 403**

Remuneration of Chief Financial Officer

Annual Remuneration	178 488	574 587
Car Allowance	97 727	295 428
Cellphone Allowance	1 400	-
Contributions to UIF, SDL, Medical and Pension Funds	27 035	79 141
Acting allowance	66 461	73 937
Backpay	-	47 298
Rural Allowance	12 800	22 400
	383 911	**1 092 791**

Remuneration of Directors - Corporate & Shared Services:

Annual Remuneration	630 332	586 370
Car Allowance	324 147	322 621
Cellphone	12 600	-
Contributions to UIF, SDL, Medical and Pension Funds	42 337	39 782
Acting allowance	-	20 764
Rural allowance	38 400	22 400
Backpay	25 996	36 335
	1 073 812	**1 028 272**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

Remuneration of director Technical Services

Annual Remuneration	36 453	694 414
Car Allowance	-	328 000
Contributions to UIF, SDL, Medical and Pension Funds	2 516	11 063
Acting allowance	51 945	55 685
Leave pay	200 277	-
	291 191	**1 089 162**

Remuneration of acting director PMU

Acting Allowance	12 549	-

Remuneration of Strategic Planning and LED

Annual Remuneration	-	173 213
Acting Allowance	19 477	-
	19 477	**173 213**

Remuneration of acting director Community Services

Annual Remuneration	723 680	-
Car Allowance	226 132	-
Rural Allowance	38 400	-
Contributions to UIF, Medical and Pension Funds	47 165	-
Acting allowance	-	20 973
Backpay	25 996	-
Cellphone Allowance	12 600	-
	1 073 973	**20 973**

30. Remuneration of councillors

Mayor	862 606	840 313
Speaker	706 600	681 131
Councillors	21 656 581	20 622 438
SDL	188 883	94 130
	23 414 670	**22 238 012**

31. Depreciation and amortisation

Property, plant and equipment	84 081 727	82 582 764
Intangible assets	1 828 734	1 543 768
	85 910 461	**84 126 532**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

32. Impairment of assets

Impairments		
Property, plant and equipment	34 700	730 259
During the verification of assets, some assets were noted to be in poor condition and were impaired in terms of GRAP 21 Impairment of Non-cash generating assets. The assets were impaired as follows: Furniture and fittings: R 1 031.87 Plant and machinery: R 10 035.42 IT Equipment: R 2 434.90 Motor vehicle R 21 198.20		
Other financial assets	-	159 262 692
Impairment is provided for investment in VBS as per National Treasury communication due to the bank placed in liquidation and the possibility that the capital invested might be irrecoverable.		
	34 700	**159 992 951**

33. Finance costs

Finance leases	294 856	111 400
Interest expense - rehabilitation of landfilsite	1 179 294	-
	1 474 150	**111 400**

34. Debt impairment

Debt impairment - consumer debtors	29 173 345	39 571 402
Debt impairment - revenue forgone	-	319 450
	29 173 345	**39 890 852**

35. Bad debts written off

Interest on overdue accounts	-	2 816 107

36. Contracted services

Presented previously		
Infrastructure services	4 675 892	3 011 035
Electrical services	8 351 540	3 507 660
Business and advisory services	17 197 750	18 504 530
Other Contractors	5 079 780	9 591 181
	35 304 962	**34 614 406**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

37. General expenses

Accomodation	4 546 546	5 979 720
Advertising	808 356	578 336
Auditors remuneration	4 815 901	4 514 237
Bank charges	344 864	267 073
Busaries	217 369	497 920
Catering services	737 580	822 415
Community development and training	4 770 100	3 576 000
Consulting and professional fees	2 076 553	149 369
Consumables	4 680 661	5 452 607
Electricity	1 922 492	1 670 972
Free basic electricity	11 216 860	10 154 556
Fuel and oil	3 283 709	2 522 140
Hire	1 010 685	1 641 031
Incidental costs	4 960	8 510
Insurance	456 965	353 705
IT expenses	618 848	-
Legal services	8 504 393	4 233 898
Motor vehicle expenses	132 694	217 085
Other expenses	939 758	1 789 003
Postage and courier	85 570	86 427
Printing and stationery	388 552	736 061
Protective clothing	999 316	1 731 496
Subscriptions and membership fees	1 749 540	115 282
Telephone and fax	870 597	1 249 524
Travel - local	6 829 521	7 844 799
Interest written off - overdue accounts	95 828	-
	62 108 218	**56 192 166**

38. Auditors' remuneration

Audit fees	4 815 901	4 514 237

39. Cash generated from operations

Surplus (deficit)	44 308 645	(130 457 046)
Adjustments for:		
Depreciation and amortisation	85 910 461	84 126 532
Loss on assets written off	7 327	-
Gain on fair value measurement	-	(171 037)
Retention fee recovered	-	(370 882)
Acturial gains	-	(2 926 313)
Impairment loss/ reversal of impairments	34 700	159 992 951
Debt impairment	29 173 345	39 890 852
Bad debts written off	-	2 816 107
Movements in retirement benefits	(581 479)	108 962
Movements in provisions on rehabilitation	1 179 293	21 484 795
Changes in working capital:		
Inventories	958 184	(1 823 700)
Receivables from exchange transactions	(4 401 345)	(3 549 681)
Consumer debtors	(34 320 109)	(42 026 085)
Other receivables from non-exchange transactions	(10 945 576)	1 520 392
Payables from exchange transactions	1 581 179	13 712 343
VAT	(2 387 472)	2 653 798
Unspent conditional grants and receipts	(2 504 035)	(3 914 780)
	108 013 118	**141 067 208**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Rehabilitation of streets in all sections	2 172 099	2 172 099
• Upgrading Nkhensani access road	578 893	578 893
• Development of road and stormwater master plan	-	1 620 888
• Construction of Landfill site and waste Disposal	1 712 476	59 421 770
• Bode paving of internal streets	-	5 457 018
• Mageva sports centre	17 150 435	6 862 602
• Electrification of villages :Mhlava - Willem ,Sekhing ,Mbatlo & Shivulani	7 667 934	7 667 934
• Homu 14B to 14A upgrading fromgravel to tar	13 139 746	16 869 925
• Makosha access road upgrading from gravel to pavin	4 440 194	28 350 795
• Upgrading of Civic Centre parking lot	3 642 888	3 642 888
• Upgrading of traffic lights and R81 light	-	9 952 458
• Giyani section F streets phase 3 and 4	-	367 332
• Refurbishment of Giyani stadium and section A tennis court	3 316 836	3 316 836
• Formalisation of settlement	138 368	138 368
• Energising of 51 Highmast lights	2 325 382	-
• Upgrading of Makhuva road D3187 from gravel to tar	9 027 938	9 027 938
• Electrification of villages, Hlomela, Siyandani, Babangu and Ntshuxi	-	1 563 063
• Energising of 51 Highmast lights in hight crime prone zones	-	4 766 908
• Rehabilitation of Giyani stadium, Section A tennis court and Shivulani sport	1 456 165	1 456 165
• Refurbishment of Shivhulani sports centre	-	371 656
• Refurbishment of Gawula sports centre	661 716	661 716
• Alternative access road to Giyani	5 005 475	-
• Giyani Section E Sport preccint	-	16 027 641
• Section F from gravel to paving	43 475 561	-
• Upgrading of Xikukwane from gravel to tar	11 306 670	-
• Electrification of Mbaula Village	2 652 499	-
• Electrification of Dzidzingi village	1 484 319	-
• Section E upgrading from gravel to tar	6 924 812	-
• Construction of Civic centre phase 3	15 049 868	-
• Electrification of villages Sekhing	1 416 799	-
	154 747 073	**180 294 893**

Contract approved but where services have not taken place		
• Electronic document management	456 000	456 000
• Purchase of plumbing material	-	75 963
• Purchase of water tanker	-	1 182 401
• Purchase of artificial lawn	-	12 480
• Public transport shelters - Turnkey	1 571 137	1 571 137
• Purchase of weilding materials	-	13 729
	2 027 137	**3 311 710**

Total capital commitments		
Contract approved and services have been rendered	154 747 073	180 294 893
Contract approved but where services have not taken place at the reporting date	2 027 137	3 311 710
	156 774 210	**183 606 603**

Authorised operational expenditure

Contract approved and services have been rendered		
• Moveable and immoveable infrastructure assets verification	-	2 267 122
• Physcical security at Traffic testing	1 228 832	2 192 025
• Office space rental	34 991	90 869

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018
• Land use management scheme	81 937	661 674
• Property, plant and equipment Insurance	242 431	607 824
• Supply and delivery of municpal newsletter	-	131 250
• Supply, delvery, installation, maitenance and testing of photocopier services rent	-	422 355
• Review of the GGM Spatial development framework	291 549	989 070
• Supply and delivery of tablets pouches and 3Gs	243 496	-
• Rezoning and subdivision of parks	570 000	-
• Proclamation program, land audit and land acquisition	509 880	-
• Township establishment of various villages	900 149	-
• Ngove township expansion	1 537 058	-
• Deeds registration Giyani Section F	200 000	-
• Site dermacation at Sikhunyani Village and site demarcation at Dzumeri Traditional Authority	685 000	-
	6 525 323	**7 362 189**

Contract approved but where services have not taken place at the reporting date		
• Vodacom line	7 621	-
• Roads traffic equipments	557 348	-
• Surveilliant cameras	385 963	-
• Street naming (including registration)	190 000	-
	1 140 932	**-**

Total operational commitments		
Contract approved and services have been rendered	6 525 323	7 362 189
Contract approved but where services have not taken place at the reporting date	1 140 932	-
	7 666 255	**7 362 189**

Total commitments

Total commitments		
Authorised capital expenditure	156 774 210	183 606 603
Authorised operational expenditure	7 666 255	7 362 189
	164 440 465	**190 968 792**

The following contracts are longer than 12 months	Contract start date	Contract end date	Contract amount
Electronic Document Management	01/10/2017	30/09/2020	456 000
Supply and delivery of tablets, pouches and 3G's	01/11/2018	31/10/2020	243 496
Vodacom line	01/03/2019	30/08/2020	7 621
	-	**-**	**707 117**

Operating leases - as lessee (expense)

Operating lease payments represent rentals payable by the municipality with a minimum lease payments of R 710 865.51 (2019) (R68 283.65:2018) for photocopiers , office property (R 892 427.19), parking at Limpopo Economic Development Agency offices in Giyani and radiophes (R 76 100.00). Contigent rent is payable on the number of copies made for the month.

Rental expenses relating to operating leases		
Contingent rents	89 255	93 405
Sublease payments	1 590 138	1 483 175
	1 679 393	**1 576 580**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

41. Contingent Liabilities

The municipality has various claims of legal disputes with suppliers that are subject to mediation or legal process. The table below indicates the details of the claims:

Case Description	Case Number	2019 Potential Liability	2018 Potential Liability
Makamu Mamayila vs GGM. The claimant is suing the Municipality for the amount of R300 000 for falling into an unclosed municipal drain.	456/15	-	120 000
Hlovo Sithole vs GGM. The claimant sued the municipality the amount of R400 000 for injuries sustained at the municipal park.	LP/GY/RC11/1	-	300 000
Eternity vs GGM. Suing the Municiplaity for services rendered	0	8 140 229	-
Mpongwa Hesekani Emmanuel vs GGM. The plaintiff is suing the Municipality for damages he suffered as result of rain	-	1 000 000	-
		9 140 229	**420 000**

42. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to general information on page 1 and 2
Members of key management	R H Maluleke CFO (Terminated on 19 October 2018)) M T Shiviti Director Corporate and Shared Services P M Mathebula Director Techical Services (Resigned 13 July 2018) N J Nkuna Acting Director Stragetic Planning and LED M I Khosa Director Community Services J Shivambu Acting CFO F Nkuna Acting CFO N Muhlari Acting CFO K Y Sinclair Acting Director Technical Services N O C Mdungadzi Acting Director Technical (Resigned 31 July 2018) Moya LL Acting Director Technical Services (Resigned 31 May 2018)

Related party balances

Related party transactions

	2019	2018
Agency services		
Mopani District Municipality	240 070	226 696
Traffic fines		
Department of Transport - Limpopo	14 710 466	6 256 181
Intermunicipal account		
Mopani District Municipality	(16 925 521)	(12 800 025)

43. Correction of prior period errors

1. Inventories

Inventory was understated with an amount of R 452 091 in the prior year.

2. VAT Receivables

An overstatement of VAT amounting to R 763 000 was reversed.

3. Receivables from exchange transactions

Receivables from exchange transactions was understated with amount of R 217 800 due to misallocation payments relating to intermunicipal account transactions. An amount of R 7 672 was correctly brought in as payroll debtors.

4. Cash and cash equivalent

A balance of R 217 800 relating to Inter-municipal account was uncleared at year-end

5. Investment property

Investment properties amounting to R 60 000 not belonging to Greater Giyani Municipality were derecognised and investmet proty amounting to R 9 134 000 which was previously not recognised was recognised.

6. Property, plant and equipment

Prior period error on Property, plant and equipment is due to assets which were fair valued, assets which were derecognised,reassessment of useful lives, correction of prior year journals processed erroneously and prior period additions all of which resulted in a total of R 13 444 802.

7. Heritage assets

Mace and Speaker gown amounting R 35 250 were incorrectly expensed in the prior years.

8. Payables from exchange transactions

Retentions and accruals were overstated in the prior years with R 1 870 508.

9. Rental of facilities and equipment

There was incorrectly mapped to accumulated surplus with an R 2 587.

10. Actuarial gain.

Incorrect postings of provisions on medical and long services amounting to R 5 161 773 were corrected.

11. Property rates

An error on calculation of property rates completeness amounting to R 444 494 was corrected.

12. Employee related costs

Provisions on long service, medical and adjustment on provision for compensation commission with total amount of R 5 161 773 were done.

13. Depreciation and amortisation

An amount of R 481 235 is due to derecognition of assets, fair value and correction of prior errors

14. Debt impairment

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

An increase of R 444 494 on debt impairment is due to recalculation of completeness on property rates.

15. Contracted services

Decrease of R 2 879 293 is due to reclassification of repairs and maintenance and provision for rehabilitation was not accounted for with R 21 484 795 . Electrification of villages through INEG was reallocated to WIP with an amount of R 14 634 434.

16. Repairs and maintenance

Repairs and maitenance was understated with R 2 879 293 which was incorrectly under contracted services.

17. General expenses

Decrease amounting to R 316 322 is the result of corrections made.

18. Provision for landfill site

Provision for landfill site was previously understated with R 21 484 795.

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

-

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Inventories		2 841 375	452 091	3 293 466
VAT receivables		6 216 499	(763 900)	5 452 599
Receivables from exchange transactions		15 875 284	225 472	16 100 756
Property, plant and equipment		893 673 561	27 979 236	921 652 797
Intangible assets		171 053	35 250	206 303
Payables from exchange transactions		(70 743 561)	1 870 508	(68 873 054)
Cash and cash equivalents		14 639 964	(217 800)	14 422 164
Investment property		11 196 000	9 074 000	20 270 000
Provision for landfill site		(14 360 144)	(21 484 795)	(35 844 939)
		859 510 031	**17 170 062**	**876 680 092**

Statement of finanical performance

Notes to the Audited Annual Financial Statements

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Rental of facilities and equipment		836 285	2 587	-	838 872
Acturial loss		(2 322 492)	2 322 492	-	-
Employee related costs		(125 313 885)	(5 161 773)	-	(130 475 658)
Remuneration of councillors		(22 143 882)	(94 130)	-	(22 238 012)
Property rates		35 238 339	444 494	-	35 682 833
Depreciation		(84 607 767)	481 235	-	(84 126 532)
General expenditure		(52 028 133)	316 322	-	(51 711 811)
Debt impairment		(39 446 358)	(444 494)	-	(39 890 852)
Contracted services		(52 028 133)	14 534 434	2 879 293	(34 514 406)
Rehabilitation of dumping site		-	(21 484 795)	-	(21 484 795)
Repairs and maintenace		-	-	(2 879 293)	(2 879 293)
Acturial gains		-	2 926 313	-	2 926 313
Deficit for the year		**(341 816 026)**	**(6 157 315)**	**-**	**(347 873 341)**

44. Risk management

Financial risk management

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

Liquidity risk

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

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 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Payables from exchange transactions	70 454 227	68 873 053	53 640 488

At 30 June 2018	Between 1 and 2 years	Between 2 and 5 years
	68 873 053	53 640 488

The municipality has not defaulted on payables and lease commitment payments being either interest or capital and no re-negotiations of terms were made on any of these instruments.

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.

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

Financial instrument	2019	2018
Cash and cash equivalent	40 596 564	14 422 164
Receivables from exchange transactions	20 502 101	16 100 756
Receivables from non- exchange transactions	48 757 634	37 812 058
Other receivables from exchange transactions	18 037 938	12 424 493

Market risk

Interest rate risk

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

45. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 925 466 080 and that the municipality's total liabilities exceed its assets by R 925 466 080.

The audited 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.

46. Events after the reporting date

Certain Assets(Road Signs) which were verified at year end 30 June 2019 were subsequently destroyed during community protests which occured after reporting period.

47. Deviations

	-	-
Association Asphalt Equipment (PTY) LTD (Section 36 (1) a (i)}	-	1 133 018
TH Chavalala ((Section 36 (1) a (v)}	-	122 879
TH Chavalala ((Section 36 (1) a (v)}	-	123 640
Traffic Signals & Accessories (Pty) Ltd (Section 36 (1) a (i)	-	94 962
Eulitsaki Construction and Cleaning (Section 32 (1) a}	-	984 617
Mavambo ITS (Section 32 (1) a}	-	346 992
Anric Enterprises (Section 36 (1) a (i)	31 476	-
Mercedes-Benz (Section 36 (1) a (i)	102 810	-
Smith Power Equipment (Section 36 (1) a (i)	22 962	-
Workshop Electronics (Section 36 (1) a (i)	92 058	-
Hasler Business Systems (Pty) Ltd (Section 36 (1) a (i)	145 346	-
Vodacom (Section 32)	763 939	-
Volkswagen South Africa (Section 32)	613 584	-
Group 1 Nissan (Section 32)	400 297	-
Vodacom (Section 32)	182 895	-
Mavambo ITS (Section 32)	1 316 132	-
Closing balance	**3 671 499**	**2 806 108**

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

48. Fruitless and wasteful expenditure

Opening balance as previously reported	226 107	1 652 845
	226 107	**1 652 845**
Add: Fruitless and wasteful expenditure - current year	23 676	173 262
Less: Amount written-off by the council	(248 316)	(1 600 000)
Closing balance	**1 467**	**226 107**

49. Unauthorised expenditure

Opening balance as previously reported	217 997 372	11 544 739
Add: Unauthorised expenditure incurred during the year	30 660 098	206 452 633
	248 657 470	**217 997 372**

Councilors has referred unauthorised expenditure for prior year to MPAC for investigation on recommendations.

50. Irregular expenditure

Opening balance as previously reported	15 927 780	12 997 781
	15 927 780	**12 997 781**
Add: Irregular Expenditure - current period	-	2 929 999
Less: Amount written-off by council	(7 144 948)	-
Closing balance	**8 782 832**	**15 927 780**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	34 087	34 324
Amount paid - current year	(34 087)	(34 324)
	-	-

Audit fees

Current year subscription / fee	4 815 901	4 514 237
Amount paid - current year	(4 815 901)	(4 514 237)
	-	-

PAYE and UIF

Opening balance	20 284 294	18 564 158
Amount paid - current year	(20 284 294)	(18 564 158)
	-	-

Pension and Medical Aid Deductions

Opening balance	22 307 999	21 578 840
Amount paid - current year	(22 307 999)	(21 578 840)
	-	-

Notes to the Audited Annual Financial Statements

Figures in Rand	2019	2018

VAT

VAT receivable	7 840 071	5 452 599

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

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

Councillors' arrear consumer accounts

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

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mboweni Agrey Ernest	2 147	50 843	52 990
Cllr Chauke Mukhacani Juring	2 645	47 616	50 261
Cllr Shivambu Hasani Richard	3 203	18 263	21 466
Cllr Baloyi Tintswalo Elizabeth	2 250	818	3 068
Cllr Makamu Mafakhale Alpheus	682	1 483	2 165
Cllr Manganyi Khazamula Abraham	1 386	4 263	5 649
Cllr Bilankulu John Hlengani	1 132	367	1 499
	13 445	**123 653**	**137 098**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr Mboweni Agrey Ernest	1 261	43 468	44 729
Cllr Chauke Mukhacani Juring	1 414	39 891	41 305
Cllr Makamu Mafakhale Alpheus	436	1 566	2 002
Cllr Manganyi Khazamula Abraham	1 175	5 206	6 381
Cllr Shivambu Hasani Richard	1 126	11 889	13 015
	5 412	**102 020**	**107 432**

52. Supply in-service state

Employee in service of state	1 233 596	1 383 914
Interest due to business associates	-	368 552
	1 233 596	**1 752 466**