Fetakgomo Tubatse Local Municipality
(Registration number Lim 476)
Annual Financial Statements
for the year ended 30 June 2020
Auditor General South Africa

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Municipality
Councillors list	MAYORAL COMMITTEE
The Mayor	Cllr Mamekoa RS
The Chief Whip	Cllr Shoba MV
	MEMBERS OF EXCO
	Cllr Maila EE-Head of Infrastructure Development & Technical Services
	Cllr Moeng QM-Head of Development & Planning(part time)
	Cllr Mamogale MI
	Cllr Pholwane MB-Head of Corporate Services (part time)
	Cllr Mashego RM-Head of Community Services (part time)
	Cllr Hlatshwayo BE-Head of Local Economic Development & Tourism (part time)
	Cllr Mogofe A-Deputy Head of Corporate Services (part time)
	Cllr Kupa RB-Deputy Head of Budget & Treasury (part time)
	Cllr Kgwedi- Deputy Head of Infrastructure Development & Technical Services (part time)
	SPEAKERS
	Cllr Phala TN
	MPAC CHAIRPERSON
	Cllr Mphethi ND
	OTHER COUCILLORS
	Cllr Phokoane MJ
	Cllr Maphanga TP
	Cllr Gumede RT
	Cllr Mojalefa LH
	Cllr Makhubedu NR
	Cllr Mabelane MM
	Cllr Makine MP
	Cllr Randingwana MR
	Cllr Kgaphola LA
	Cllr Khoza MR
	Cllr Malakane OA
	Cllr Mahlaba LM
	Cllr Magane MT
	Cllr Mahlake TV
	Cllr Moshwane XE
	Cllr Mphethi MM
	Cllr Malomane KH
	Cllr Lekwadi MI
	Cllr Mokgotho LL
	Cllr Mamogale MF
	Cllr Malatji ML
	Cllr Maphakge RA
	Cllr Mosoma SE
	Cllr Makua LC
	Cllr Rantho LJ

General Information

	Cllr Molapo NT
	Cllr Mariri ML
	Cllr Thobejane ML
	Cllr Mohlala SG
	Cllr Maisela RP
	Cllr Rantsoma MJ
	Cllr Moifo KH
	Cllr Makua MJ
	Cllr Mashabela MN
	Cllr Diphofa DK
	Cllr Ngwatla TJ
	Cllr Mahlakwana ME
	Cllr Malapane SS
	Cllr Mafokoane IT
	Cllr Mashile MD
	Cllr Mogoane MK
	Cllr Mogane SP
	Cllr Makola JV
	Cllr Mnisi HD
	Cllr Mamakgopa LD
	Cllr Madire ND
	Cllr Radingwane TM
	Cllr Mokgalaka CR
	Cllr Mphogo K
	Cllr Mohlala BJ
	Cllr Molapo TI
	Cllr Thwala CS
	Cllr Mafokane NN
	Cllr Mohubedu PS
	Cllr Riba MR
	Cllr Selepe ME
	Cllr Maruga TT
	Cllr Shaku SR
	Cllr Kgoete MJ
	Cllr Mnisi FG
	Cllr Moropana TA
	Cllr Lewele MB
	Cllr Mdluli V
Grading of local authority	Grade 4
Chief Finance Officer (CFO)	Makgata MJ
Accounting Officer	Phala NW
Registered office	Fetakgomo Tubatse Local Municipality 1 Kastania Street Burgersfort
Business address	1 Kastania Street Burgersfort 1150

General Information

Postal address	P. O. Box 206 Burgersfort 1150
Bankers	Standard Bank Burgesfort
Auditors	Auditor General South Africa
Municipality number	Lim 476
Attorneys	Noko Maimela Incorporated Verveen Attorneys Mphokane Attorneys Machaba Inc ML Matema Inc Kgolisha a Mamabolo Kgororeadira Mudau Mmakola Attorneys Rachoene Attorneys Mahowa Inc

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

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

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The annual financial statements set out on page 9, which have been prepared on the going concern basis, were approved on 30 June 2020 and were signed on its behalf by:

Phala NW
Municipal Manager

Audit Committee Report

Audit Committee Report

Report of the Auditor General

To the Provincial Legislature of Fetakgomo Tubatse Local Municipality

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

1. Review of activities

Main business and operations

The Municipality is engaged in local service delivery as enshrined in the Constitution of the Republic of South Africa with its core functions and primary revenue sources being colllection of property rates and taxes and refuse collection. It operates principally in Burgersfort, South Africa.

Net surplus of the municipality was R 142 007 744 (2019: R 81 957 623).

2. Going concern

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

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

3. Subsequent events

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

4. Accounting policies

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

5. Accounting Officer

The Accounting Officer of the municipality during the 12 months and to the date of this report is as follows:

Name	Nationality	Changes
Phala NW	RSA	Appointed on 01 August 2020
Gabaganenwe L	RSA	Appointed on1 July 2020
Mathebula A	RSA	Appointed on1 April 2020 to 30 June 2020
Mashoeu MD	RSA	Appointed on 1 January 2020 to 31 March 2020
Magooa RM	RSA	Appointed on 1 June 2019 to 31 December 2019

Accounting Officer's Report

6. Corporate governance

General

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

Councillors

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

Mayor and Municipal Manager

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

Audit Committee meetings

The Audit Committee has met on - separate occasions during the financial year. The Audit Committee schedules to meet at least 4 times per annum.

Audit committee

During the period the audit committee was composed as follows:

1. Adv Tebogo Martin Malatji (Chairperson of the Audit and Performance Committee)

2. Mr Siyakhula Simelane (Chairperson of the Risk Committee)

3. Mr Joseph Nakedi Mpjane (Member of the Audit and Performance Committee)

4. Mr Choene Charles Semenya (Member of the Audit and Performance Committee)

Internal audit

The municipality had its own internal audit function for the financial year under review. The internal audit operates under section 165 of the Municipal Finance Management Act (Act 56 of 2003) (MFMA).

7. Bankers

The municipality banks primarily with Standard Bank.

8. Auditors

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

Phala NW
Municipal Manager

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	9	725 143	372 822
Receivables from exchange transactions	10	172 006	5 791 094
Receivables from non-exchange transactions	11	5 762 045	4 462 007
VAT receivable	12	10 629 830	10 949 580
Consumer debtors from exchange transactions	13	13 579 225	10 477 661
Consumer debtors from non exchange transactions	13	53 351 028	58 176 123
Cash and cash equivalents	15	226 630 554	95 148 269
		310 849 831	**185 377 556**
Non-Current Assets			
Investment property	3	61 650 000	44 180 000
Property, plant and equipment	4	2 258 686 065	2 274 290 250
Intangible assets	5	117 419	147 651
Heritage assets	6	1 068 300	1 068 300
		2 321 521 784	**2 319 686 201**
Total Assets		**2 632 371 615**	**2 505 063 757**
Liabilities			
Current Liabilities			
Other financial liabilities	17	10 478 789	1 081 903
Operating lease liability	7	-	8 312 353
Payables from exchange transactions	19	101 090 280	90 506 946
Employee benefit obligation	8	1 167 658	668 288
Unspent conditional grants and receipts	16	119 183 212	136 732 569
Provisions	18	17 241 256	13 819 469
		249 161 195	**251 121 528**
Non-Current Liabilities			
Other financial liabilities	17	-	10 606 626
Employee benefit obligation	8	25 905 364	27 613 639
Provisions	18	12 115 990	12 540 648
		38 021 354	**50 760 913**
Total Liabilities		**287 182 549**	**301 882 441**
Net Assets		**2 345 189 066**	**2 203 181 316**
Accumulated surplus		2 345 189 066	2 203 181 316

* See Note 50 & 49

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	21 779 434	21 765 067
Rental of community offices and facilities	21	309 318	351 068
Interest received (trading)	23	6 534 811	5 389 225
Licences and permits	25	6 975 455	7 321 229
Fees earned	27	265 877	620 322
Other income	28	394 084	11 564 361
Interest received - investment	29	9 951 565	2 216 184
Fair value adjustments	42	17 470 000	28 350 000
Total revenue from exchange transactions		**63 680 544**	**77 577 456**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	30	112 127 606	118 941 365
Property rates - penalties imposed	30	26 040 611	24 172 187
Transfer revenue			
Government grants & subsidies	32	520 584 357	426 974 998
Traffic fines	22	1 905 550	2 651 844
Total revenue from non-exchange transactions		**660 658 124**	**572 740 394**
Total revenue		**724 338 668**	**650 317 850**
Expenditure			
Employee related costs	33	(184 983 793)	(170 946 861)
Remuneration of councillors	34	(31 961 761)	(31 419 072)
Depreciation and amortisation	35	(105 670 386)	(119 105 281)
Impairment losses/reversal of impairment	36	(1 666 330)	-
Finance costs	37	(797 715)	(907 237)
Lease rentals on operating lease	26	(18 456 091)	(18 957 628)
Debt Impairment / (Reversal of Impairment)	38	(94 638 522)	(81 454 143)
Bad debts written off	39	(567 222)	(6 496 314)
Contracted services	40	(93 210 730)	(83 335 196)
Transfers and Subsidies	31	(7 667 075)	(7 854 855)
Inventories losses/write-downs		-	(514 623)
Loss on disposal of assets		(1 726 114)	(557)
General Expenses	41	(40 985 185)	(47 368 460)
Total expenditure		**(582 330 924)**	**(568 360 227)**
Surplus for the year		**142 007 744**	**81 957 623**

The accounting policies on pages 19 to 48 and the notes on pages 50 to 105 form an integral part of the annual financial statements.

* See Note 50 & 49

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	2 048 676 088	2 048 676 088
Adjustments		
Correction of errors (Refer to Note 50)	72 547 605	72 547 605
Balance at 01 July 2018 as restated*	**2 121 223 693**	**2 121 223 693**
Changes in net assets		
Deficit for the year	81 957 623	81 957 623
Total changes	81 957 623	81 957 623
Restated* Balance at 01 July 2019	**2 203 181 322**	**2 203 181 322**
Changes in net assets		
Surplus for the year	142 007 744	142 007 744
Total changes	142 007 744	142 007 744
Balance at 30 June 2020	**2 345 189 066**	**2 345 189 066**

Note(s)

* See Note 50 & 49

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		176 332 746	192 776 668
Government Grant and subsidies		503 034 514	483 366 700
Interest income		9 951 565	2 216 184
		689 318 825	678 359 552
Payments			
Employee costs		(216 945 554)	(202 365 933)
Suppliers		(219 306 405)	(256 303 618)
Finance costs		(797 715)	(907 237)
		(437 049 674)	(459 576 788)
Net cash flows from operating activities	44	**252 269 151**	**218 782 764**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(93 723 857)	(102 439 924)
	4	-	-
Net cash flows from investing activities		**(93 723 857)**	**(102 439 924)**
Cash flows from financing activities			
Repayment of other financial liabilities		(2 007 455)	(2 007 455)
Finance lease payments		-	(18 720)
Operating lease repayments		(25 055 556)	(22 777 775)
Net cash flows from financing activities		**(27 063 009)**	**(24 803 950)**
Net increase/(decrease) in cash and cash equivalents		**131 482 285**	**91 538 890**
Cash and cash equivalents at the beginning of the year		95 148 269	3 609 379
Cash and cash equivalents at the end of the year	15	**226 630 554**	**95 148 269**

* See Note 50 & 49

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Comparison of Budget and Actual Amounts						
Revenue						
Revenue						
Service charges	14 133 053	10 687 376	**24 820 429**	21 779 434	**(3 040 995)**	N1
Rental of community offices and facilities	433 207	(9 857)	**423 350**	309 318	**(114 032)**	N3
Interest received (trading)	2 826 636	3 421 574	**6 248 210**	6 534 811	**286 601**	N2
Licences and permits	18 650 325	(19 001)	**18 631 324**	6 975 455	**(11 655 869)**	N4
Fees earned	455 876	-	**455 876**	265 877	**(189 999)**	N5
Other income	1 043 109	753 600	**1 796 709**	394 084	**(1 402 625)**	N6
Interest received - investment	980 001	8 732 883	**9 712 884**	9 951 565	**238 681**	N7
Total revenue from exchange transactions	**38 522 207**	**23 566 575**	**62 088 782**	**46 210 544**	**(15 878 238)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	138 114 635	2 787 800	**140 902 435**	112 127 606	**(28 774 829)**	N8
Property rates - penalties imposed	14 077 008	13 099 435	**27 176 443**	26 040 611	**(1 135 832)**	N9
Transfer revenue						
Government grants & subsidies	524 641 000	50 796 700	**575 437 700**	520 584 357	**(54 853 343)**	N10
Fines, Penalties and Forfeits	16 106 694	(12 815 635)	**3 291 059**	1 905 550	**(1 385 509)**	N11
Total revenue from non-exchange transactions	**692 939 337**	**53 868 300**	**746 807 637**	**660 658 124**	**(86 149 513)**	
Total revenue	**731 461 544**	**77 434 875**	**808 896 419**	**706 868 668**	**(102 027 751)**	
Expenditure						
Personnel	(211 476 367)	9 919 262	**(201 557 105)**	(184 983 793)	**16 573 312**	N12
Remuneration of councillors	(31 624 976)	(2 360 750)	**(33 985 726)**	(31 961 761)	**2 023 965**	N13
Depreciation and amortisation	(58 053 680)	(46 599 794)	**(104 653 474)**	(105 670 386)	**(1 016 912)**	N14
Impairment loss/ Reversal of impairments	-	-	**-**	(1 666 330)	**(1 666 330)**	N15
Finance costs	(1 315 000)	258 000	**(1 057 000)**	(797 715)	**259 285**	N17
Lease rentals on operating leae	(23 984 337)	(550 000)	**(24 534 337)**	(18 456 091)	**6 078 246**	N18
Debt impairment	(44 991 721)	(25 008 279)	**(70 000 000)**	(94 638 522)	**(24 638 522)**	N19
Bad debts written off	-	-	**-**	(567 222)	**(567 222)**	
Contracted Services	(102 101 518)	(21 504 899)	**(123 606 417)**	(93 210 730)	**30 395 687**	N20
Transfers and subsidies	(6 000 000)	(2 500 000)	**(8 500 000)**	(7 667 075)	**832 925**	N21
General expenses	(96 556 401)	33 320 450	**(63 235 951)**	(40 985 185)	**22 250 766**	N22
Total expenditure	**(576 104 000)**	**(55 026 010)**	**(631 130 010)**	**(580 604 810)**	**50 525 200**	
Operating surplus	**155 357 544**	**22 408 865**	**177 766 409**	**126 263 858**	**(51 502 551)**	
Fair value adjustments	-	-	**-**	17 470 000	**17 470 000**	
Loss on disposal of assets	-	-	**-**	(1 726 114)	**(1 726 114)**	
	-	**-**	**-**	**15 743 886**	**15 743 886**	
Surplus	**155 357 544**	**22 408 865**	**177 766 409**	**142 007 744**	**(35 758 665)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**155 357 544**	**22 408 865**	**177 766 409**	**142 007 744**	**(35 758 665)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N1 - Sevice Charges
The service charges budget included areas which were earmarked for collection but due to the Pandemic the collection rate decreased.

N2 - Interest received Service Charges
Below the 10% norm

N3 - Rental of facilities and equipment
Non utilisation of facilities due to COVID

N4 - Licenses and permits
The construction of praktiseer Licencing services resulted in an under collection of licences and permits. The completion of the Traffic Station was disrupted due to the pandemic.

N5 - Fees earned
The revenue streams for fees earned underperformed and the budgeted amount was overstated.

N6 - Other Income
The budgeted amount was for Sale of tender documents was overstated as the E-tender portal was introduced where all municipalities had to load tenders advertised to the Portal. The income from sale of tender documents consequently dropped.

N7 - Interest Received-Investment
Below the 10% norm

N8 - Property rates
The property rates revenue was overstated during the compilation of the budget

N9 - Property rates-Penalties imposed
Below 10% norm

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis						
Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

N10 - Government grants and subsidies
The Diistressed Mining Town and MIG grant has an unspent amount of R27 million and R 29 million respectively. The unspent amount was as a result of the pandemic that arose during March 2020. Most of the projects emanating from the grants were put on hold. The INEG electrification grant was also revised to R10 million. The budget projections in this regard were not adjusted accordingly.

N11 - FInes, penalties and forfeits
The Traffic fines revenue underperformed due to the COVID pandemic

N12 - Personnel
The variance emanates from the unfilled posts which were budgeted for in the 2019/20 financial year.

N13 - Remuneration of Councillors
Below the 10% norm

N14 - Depreciation and amortisation
Below the 10% norm

N15 - Impairment loss/Reversal
Amount was not budgeted for in 2020.

N16 - Finance Costs
The Budgeted finance costs was overstated during 2019/20 financial year

N18 -Lease rentals on operating lease
The lease rental overstated in the budget for the 2019/20 financial year

N19 -Bad debts written off
Rate payers were given amnesty of 50% for settlement of long outstanding debts which resulted in the debt impairment increasing

N20 - Contracted services
Some operation projects were not implemented during the third qaurter due to the pandemic

N21 - Transfers and subsidies
Below 10% norm

N22 - General exoenses
Some general expenses were not incurred during the third qaurter due to the pandemic that arose during March 2020

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Presentation currency

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

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables

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

Traffic Debtors

The traffic fines will be impaired when the probability of collecting the outstanding amount is uncertain. The traffic fine shall be assessed "in each reporting period" individually to determine the recoverability rate of the amount collected and thereafter determine percentage for provision to be made based on the calculation recoverability rate. The provision for doubtful debts on traffic fines will be informed by the recoverability rate.

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment of Consumer and other receivables

The calculation in respect of the impairment of debtors is based on the municipality's approved policy on calculation of doubtful debts. In accordance with GRAP 104 (Financial Instruments), an objective assessment of financial assets is made at year end to determine possible impairment. Impairment loss is recognised as an expense in the Statement of Financial Performance. The determination of the impairment loss is guided by the following principles as per GRAP 104. The municipality assesses financial assets individually, when assets are individually significant, and individually or collectively for financial assets that are not individually significant. (Individual Debtors' balances that constitute at least 5 percent of the total debtors book are considered to be individually significant by the municipality).

Where no objective evidence of impairment exists for an individually assessed asset (whether individually significant or not), the municipality includes the assets in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment of impairment. As soon as information becomes available that specifically identifies losses on individually impaired assets in a group (that are collectively assessed for impairment), those assets are removed from the group and assessed individually for impairment.

For collective assessment of impairment, as indicated above, assets with similar credit risk characteristics are grouped together. The credit risk characteristics should be indicative of the debtors' ability to pay all amounts due according to the contractual terms.

The method used in determining the group of assets to be assessed for impairment, is a grading process that considers the:
-Debtor type
-Industry
-Past due status (e.g. days/months that the accounts are in arrears)

Consumer debtors are evaluated at the end of the reporting date and impaired as follows:

a) Timing of Assessment
The Municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

b) Evidence of Impairment
Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired:
- Indigent accounts;
- Inactive accounts;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts with balances outstanding 270 days and longer as these accounts are considered to be past due.

c) Calculation and Recognition of Impairment Loss
1. The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows**:**

Carrying Amount at reporting Date - Present Value of Future Expected Cashflows = Impairment Loss

2. The carrying amount (Expected Future Cash Flows) at reporting date is calculated as follows:

Gross carrying amount Less debtors to be impaired 100% (Indigent debtors, Handed over Debtors, Debtors with balances 270 days and longer)

) The Discount Rate used is derived from the policy (prime plus 1%), average for the financial year.

4) The Expected Repayment Term is 30 days (derived from the policy).

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

The cost of defined benefit pension contribution plans and other employment medical benefits is determined using actuarial valuations.

The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Additional information is disclosed in note 8.

Classification as investment property

The municipality has reviewed its property portfolio and determined which items of land and buildings are held to earn rental revenue or for capital appreciation. Land and buildings fulfilling these requirements have been classified as investment property, whilst the remainder of the portfolio has either been classified as property, plant and equipment or inventory depending on management's intention in dealing with these properties.

Depreciation and carrying value of items of property, plant and equipment

The estimation of the useful lives of assets is based on management's judgment. Management considers the impact of technology, availability of capital funding, service requirements, and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgment whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

1.3 Investment property

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

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

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

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

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

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

1.3 Investment property (continued)

Fair value

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

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

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

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

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

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	3-30 years
Other Infrastructure Assets	Straight line	
• Refuse		20-50 years
• Buildings		20-100 years
Infrastructure - Electricity	Straight line	
• Highmast lights		15-30 years
• Meters		15-25 years
• Load Control Equipment		20-30 years
• Switchgear Equipment		20-30 years
• Supply/Reticulation		20-30 years
• Mains		20-30 years
Infrastructure - Roads	Straight line	
• Motorways		15-30 years
• Other Roads		10-30 years
• Traffic Signage and Markings		2-10 years
• Traffic Lights		5-25 years
• Street Lighting		10-30 years
• Overhead Bridges		10-30 years
• Stormwater Drains		10-30 years
• Bridges, Subways and Culverts		10-30 years
• Carparks		10-20 years
• Bus Terminals		5-20 years
• Roads and Stormwater		5-150 years
Community Assets-Buildings	Straight line	
• Cemeteries		3-30 years
• Community Centres/halls		10-30 years
• Traffic Stations		5-30 years
• Indoor Sports Stadiums		10-30 years
• Parks		5-30 years
• Recreation Centres		5-30 years
• Stadiums		5-30 years
• Taxi Ranks		10-30 years
• Office Buildings		5-30 years
Community Assets-Recreational Assets	Straight line	
• Netball/Tennis Courts		5-20 years
• Swimming Pool		5-20 years
• Golf Course		5-20 years
• Outdoor Sports Facilities		5-20 years
• Fountains		5-25 years
• Floodlighting		5-30 years

1.4 Property, plant and equipment (continued)

Community Assets-Security Measures	Straight line	
• Fencing		3-10 years
• Security Systems		3-15 years
• Access Control		3-15 years
Computer Equipment	Straight line	
• Computer Hardware		3-25 years
• Computer Software		3-25 years
• Computer Printers		3-25 years
• Routers/Access Points		3-15 years
• Barcode Scanner		3-25 years
Other property, plant and equipment	Straight line	
• Other assets		3-40 years
• Landfill Sites		20-100 years
Office Equipment	Straight line	
• Office Machines		3-25 years
• Air Conditioners		3-30 years
• Photocopy Machines		3-25 years
• Faxes		3-15 years
• Safe		4-50 years
• Paper Shredder		3-25 years
• Dust bins		4-40 years
• Fridge/fridge with dispensers		5-25 years
Furniture and Fittings	Straight line	
• Chairs	4-25 years	
• Tables	4-25 years	
• Desk	4-25 years	
• Cabinets	4-25 years	
• Cupboards	4-25 years	
• Fire Cabinets	4-25 years	
• Miscellaneous (including suggestion boxes)	3-25 years	
Plant and Equipment	Straight line	
• Graders	5-25 years	
• Tractors	5-25 years	
• Mechanical Horses	5-25 years	
• Lawnmowers	2-15 years	
• Brush Cutters	2-15 years	
• Compressors	2-15 years	
• Radio Equipment	3-15 years	
• Firearms	5-50 years	
• Telecommunication Equipment	5-15 years	
• Tippers	5-25 years	
• Other Office Equipment	2-30 years	
• Refuse Tankers	5-25 years	
• Emergency Equipment	4-25 years	
Bins and Containers	Straight line	
• Bulk Containers	3-20 years	
Motor Vehicles	Straight line	
• Fire Engines	5-25 years	
• Motor Vehicles	3-25 years	
• Motor Cycles	5-25 years	
• Trucks	5-25 years	
Other Assets	Straight line	
• Other Assets	3-40 years	
• Landfill Sites	20-100 years	
• Quarries	20-100 years	
Intangible Assets	Straight line	
• Computer Software, Other	3-25 years	

The depreciable amount of an asset is allocated on a systematic basis over its useful life, (Depreciation per day).

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

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

1.5 Intangible assets

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

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

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

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

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

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

1.5 Intangible assets (continued)

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Computer software, other	Straight line	3-25 years

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

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

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

1.6 Heritage assets

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

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

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

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

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

1.6 Heritage assets (continued)

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.6 Heritage assets (continued)

Impairment

The municipality assesses 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.

Transfers

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

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage 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).

1.7 Financial instruments

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

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

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

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

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

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

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

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

1.7 Financial instruments (continued)

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

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

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

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

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

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

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

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

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

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

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

Accounting Policies

1.7 Financial instruments (continued)

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

Classification

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

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

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

Class	**Category**
Loans	Financial liability measured at amortised cost

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

1.7 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Accounting Policies

1.7 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

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

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

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

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

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

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

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

1.7 Financial instruments (continued)

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

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

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

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

1.8 Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. The carrying amount approximates fair value due to the short period to maturity. Cash and cash equivalents comprise cash at bank, cash on hand and short- term investments.”

1.9 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.

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

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

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

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

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

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

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

1.10 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.

Accounting Policies

1.10 Impairment of cash-generating assets (continued)

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

1.11 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.

Accounting Policies

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

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

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

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

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

Recoverable 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.

Designation

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

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

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

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

Identification

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

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

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

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

Value in use

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

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

Depreciated replacement cost approach

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

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

1.12 Employee benefits

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the 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 measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity 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.

Accounting Policies

1.12 Employee benefits (continued)

Post-employment benefits

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

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

Post-employment benefits: Defined contribution plans

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Accounting Policies

1.12 Employee benefits (continued)

Other long-term employee benefits

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The cost for each employee is computed at each reporting date based on the probability of being employed at each service award date, taking into account the assumed rates of withdrawal, early retirement and death. On determining this liability due allowance is made for future salary increases. Actuarial gains and losses are recognised in full in the year they are incurred.

1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

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

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

Accounting Policies

1.13 Provisions and contingencies (continued)

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

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

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

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

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

Accounting Policies

1.13 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:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.10 and 1.11.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - 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
  - 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.

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

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

1.14 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

1.15 Revenue

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.

1.15 Revenue (continued)

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

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.

Accounting Policies

1.15 Revenue (continued)

Measurement

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

Sale of goods

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

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

Rendering of services

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

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

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

Interest

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

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

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

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

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

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

1.16 Service charges

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

1.16 Service charges (continued)

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

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Accounting Policies

1.16 Service charges (continued)

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

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

Accounting Policies

1.16 Service charges (continued)

Bequests

Bequests that satisfy the definition of an asset 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.

1.17 Borrowing costs

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

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

1.18 Comparative figures

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

1.19 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.

1.20 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.

1.21 Irregular expenditure

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

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

Irregular expenditure that was incurred and identified during the current financial 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.

Accounting Policies

1.21 Irregular expenditure (continued)

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

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

1.22 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance

1.23 Conditional grants and receipts

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

1.24 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.

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 a cash basis and presented by economic classification linked to performance outcome objectives.

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

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

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

1.25 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).

Accounting Policies

1.25 Related parties (continued)

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 annual financial statements.

1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

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

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

1.27 Prior period error

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality would restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

1.28 Accounting by Principals and Agents

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A binding arrangement is an arrangement that confers enforceable rightsand obligations on the parties to the arrangement as if it were in the form of a contract. It includes rights from contracts or other legal rights.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Principal-agent arrangement
The Constitution of the Republic of South Africa, 1996 (the Constitution), sets out the various responsibilities of government, and assigns activities to various spheres of government or to particular types of entities. Supporting legislation within each sphere of government sets out the mandate, authority, roles and responsibilities of specific entities in undertaking the activities outlined in the Constitution. In many cases, this legislation results in the establishment of separate entities to undertake these activities. It is however not feasible to establish separate entities in all instances, and it may be more efficient and effective to utilise other entities to undertake certain activities. As a result, entities frequently have certain activities executed by another entity, or undertake activities on behalf of other entities. The ultimate responsibility, however, for the various activities still rests with the entities identified in legislation.

Where these arrangements exist, it is important to identify which entity should account for the transactions arising from these activities, and what resulting revenue, expenses, assets and/or liabilities should be recognised. Examples of typical arrangements where one entity undertakes activities on behalf of anotherentity in the public sector may include:
• The collection of revenue, including taxes, fees and other charges from specific parties, e.g. motor vehicle licence fees collected by municipalities for the provincial government, and taxes collected by the Revenue Authority for the national government.
• The construction of assets, e.g. houses built for beneficiaries of the reconstruction and development programme, for national and/or provincial housing departments and organisations.
• The provision of goods and services to recipients, e.g. the provision of water to specific communities by municipalities on behalf of water service authorities.
Property management services, which may include the maintenance of properties and collection of revenue, for the Department of Public Works and/or municipalities.

Service concession arrangements may be an example of a principal-agent arrangement as one party (the operator, which is usually a private sector entity) carries out certain activities on behalf of the other entity (the grantor, which is usually a public sector entity) in relation to third parties (the public). An entity should assess whether a principal-agent arrangement exists, and whether it is a principal or an agent in such an arrangement using this Standard.

When an entity directs another entity to undertake an activity on its behalf, it must consider whether it is a party to a principal-agent arrangement. The definition of a principal-agent arrangement refers to an entity acting on behalf of another entity in relation to transactions with third parties. In the absence of transactions with third parties, the arrangement is not a principal-agent arrangement, and the entity then acts in another capacity rather than as an agent. This type of assessment may be particularly relevant to the following two scenarios that are often encountered in the public sector:
(a) Entities, particularly national and provincial departments, are often asked to collect money from public entities or other agencies and to subsequently deposit the money into the relevant revenue fund. In these arrangements, although the departments seemingly undertake activities on behalf of the revenue fund, there is no specific direction given by the revenue fund in relation to the transactions with third parties. As a result, such arrangements may not meet the definition of a principal-agent arrangement.
(b) The structure and operation of the public sector means that entities frequently control other entities in accordance with the Standard of GRAP on Consolidated Financial Statements (GRAP 35). Although these control relationships mean that the controlling entity is able to direct the activities of an entity so that it benefits from those activities, these relationships by themselves do not indicate the existence of a principal-agent arrangement. Only where a controlling entity specifically directs a controlled entity to undertake transactions with third parties for its benefit will a principal-agent arrangement exist. In control relationships, it is possible for one or more principal-agent arrangements to exist within the context of a control relationship.

"Transactions with third parties" in the context of this Standard includes the execution of a specific transaction with a third party, e.g. a sale or purchase transaction, but it also includes interactions with third parties, e.g. when an agent is able to negotiate with third parties on the principal's behalf. The nature of the transactions with third parties is linked to the type of

1.28 Accounting by Principals and Agents (continued)
activities carried out by the agent in accordance with the binding arrangement. These activities could include the agent transacting with third parties for the procurement or disposal of resources, or the receipt resources from a third party on behalf of the principal.

Principal-agent arrangements usually exist as a result of a binding arrangement between the parties to the arrangement. It is unlikely that an entity would undertake activities on behalf of another entity in the absence of a binding arrangement as the arrangement imposes rights and obligations on the parties to perform in a particular manner.

Where no binding arrangement exists, it is assumed that the entity is acting for itself, rather than on behalf of another entity. As a result, no principal-agent arrangement exists in the absence of a binding arrangement.

Presentation
Where assets and liabilities are recognised, in accordance with other Standards of GRAP by an agent in respect of those transactions that it undertakes on behalf of its principal, it is inappropriate to offset the assets and liabilities recognised, unless another Standard of GRAP permits the offsetting of such amounts.

Disclosure
An entity that is a party to a principal-agent arrangement shall disclose:
(a) a description of the arrangement, including the transactions undertaken;
(b) whether the entity is the principal or agent and any significant judgement applied in making this assessment;
(c) significant terms and conditions of the arrangements and whether any changes occurred during the reporting period; and
(d) an explanation of the purpose of the principal-agent relationship and any significant risks (including any risk mitigation strategies) and benefits associated with the relationship.

Disclosure by agents
An entity that is the agent in a principal-agent arrangement shall disclose the following in the notes to the financial statements:
(a) a description of any resources (including the carrying value and description of any assets recognised) that are held on behalf of a principal, but recognised in the agent's own financial statements. Such disclosure shall include:
(i) the remittance of any resources during the period, as well as the expected timing of remittance of any remaining resources to the principal; and
(ii) risks that are transferred from the principal to the agent (if any), including risks flowing to the entity as a result of its custodianship over the resources held on behalf of a principal;
(b) the aggregate amount of revenue that the entity recognises as compensation for the transactions carried out on behalf of the principal; and
(c) a description of any liabilities incurred on behalf of a principal that have been recognised by the entity, as well as any corresponding rights of reimbursement that have been recognised as assets.

An agent shall disclose information in the notes to the financial statements about the revenue and expenses that relate to transactions with third parties undertaken in terms of the principal-agent arrangement. An agent shall disclose:
(a) The category of revenue received or to be received, as well as the category of expenses paid or accrued on behalf of the principal.
(b) The amount of revenue received or to be received, as well as the amount of expenses paid or accrued on behalf of the principal during the reporting period per category of revenue or expense.

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 109: Accounting by Principals and Agents	01 April 2019	The impact of the is not material.
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	The impact of the is not material.

Notes to the Annual Financial Statements

Figures in Rand

3. Investment property

	2020			2019		
	Fair value	**Accumulated impairment**	**Fair value less impairments**	**Fair value**	**Accumulated impairment**	**Fair value less impairments**
Investment property	61 650 000	-	61 650 000	44 180 000	-	44 180 000

Reconciliation of investment property - 2020

	Opening balance	**Fair value adjustments**	**Total**
Investment property	44 180 000	17 470 000	61 650 000

Reconciliation of investment property - 2019

	Opening balance	**Prior period errors**	**Fair value adjustments**	**Total**
Investment property	14 260 000	28 620 000	1 300 000	44 180 000

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.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

3. Investment property (continued)

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The fair values of investment property as measured or disclosed in the financial statements are based on a valuation by Stefan Rudman, an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. He is a member of the Institute of Valuers of South Africa, Registration number 3693/05.

The determination of fair values was supported by market evidence, the location, type and condition of the property (land. The type of property, the zoning of the property, the location of the property, the highest and best use of the property and the size of the property are some of the factors that were taken into consideration when deciding on a correct valuation method. These are 3 basic valuation methods that were used in the valuation:
1) Direct Sales Comparison Approach
With this approach,consideration is made for sales of similar properties and related market data by comparing therecent sales information.
2) Income Capitalization Approach
This method entails the determination of the Net Annual Income for the subject property, which is then capitalized at an appropriate market related capitalization rate.

General industry practice is considered because of the nature of certain properties or lack of comparable market data

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	179 080 240	-	179 080 240	179 080 240	-	179 080 240
Buildings	60 183 663	(22 088 971)	38 094 692	60 857 992	(20 087 763)	40 770 229
Plant and machinery	45 345 769	(20 308 333)	25 037 436	31 640 198	(2 251 432)	29 388 766
Furniture and fixtures	11 694 388	(6 633 439)	5 060 949	10 554 803	(4 860 923)	5 693 880
Motor vehicles	9 966 607	(5 310 466)	4 656 141	10 228 746	(5 022 328)	5 206 418
Office equipment	2 563 328	(1 621 245)	942 083	2 623 233	(1 517 284)	1 105 949
IT equipment	10 509 343	(5 914 276)	4 595 067	9 400 095	(3 999 758)	5 400 337
Infrastructure	2 472 281 682	(734 250 668)	1 738 031 014	2 458 923 414	(663 488 279)	1 795 435 135
Community	137 358 194	(28 948 088)	108 410 106	124 066 095	(24 403 571)	99 662 524
Work In Progress	153 199 874	-	153 199 874	110 653 083	-	110 653 083
Other assets	1 578 463	-	1 578 463	2 367 260	(473 571)	1 893 689
Total	**3 083 761 551**	**(825 075 486)**	**2 258 686 065**	**3 000 395 159**	**(726 104 909)**	**2 274 290 250**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Reclassifications	Depreciation	Impairment loss	Total
Land	179 080 240	-	-	-	-	-	-	179 080 240
Buildings	40 770 229	-	-	-	(492 344)	(2 183 193)	-	38 094 692
Plant and machinery	29 388 766	-	-	-	-	(4 351 330)	-	25 037 436
Furniture and fittings	5 693 880	133 377	(8 263)	-	-	(758 045)	-	5 060 949
Motor vehicles	5 206 418	698 400	(34 695)	-	-	(1 213 982)	-	4 656 141
Office equipment	1 105 949	89 890	(14 004)	-	-	(239 752)	-	942 083
Computer equipment	5 400 337	727 173	(130 556)	-	-	(1 401 887)	-	4 595 067
Infrastructure	1 795 435 135	7 535 162	(1 648 984)	26 984 699	(731 322)	(89 543 676)	-	1 738 031 014
Community assets	99 662 524	-	-	14 843 456	1 184 461	(5 614 005)	(1 666 330)	108 410 106
Work in progress	110 653 083	84 539 859	-	(41 828 155)	-	-	(164 913)	153 199 874
Other assets	1 893 689	-	(20 168)	-	-	(295 058)	-	1 578 463
	2 274 290 250	**93 723 861**	**(1 856 670)**	**-**	**(39 205)**	**(105 600 928)**	**(1 831 243)**	**2 258 686 065**

Notes to the Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Prior perod error adjustments	Reclassifications	Depreciation	Total
Land	133 493 631	-	-	-	-	45 586 609	-	-	179 080 240
Buildings	66 550 774	-	-	-	-	-	(22 440 486)	(3 340 059)	40 770 229
Plant and machinery	33 761 660	19 301	(1 184)	-	1 308	-	-	(4 392 319)	29 388 766
Furniture and fittings	4 879 606	157 373	(106 186)	-	127 839	1 597 298	-	(962 050)	5 693 880
Motor vehicles	5 816 592	-	-	-	-	711 133	-	(1 321 307)	5 206 418
Office equipment	1 027 468	130 599	(77 290)	-	231 999	158 155	-	(364 982)	1 105 949
Computer equipment	4 853 851	1 321 815	(175 051)	-	96 302	999 787	-	(1 696 367)	5 400 337
Infrastructure	1 829 673 611	26 481 813	(464 673)	39 509 644	-	1 482 869	-	(101 248 129)	1 795 435 135
Community assets	75 720 860	-	(557)	-	-	4 744 925	22 440 486	(3 243 190)	99 662 524
Work in progress	75 868 304	74 294 423	-	(39 509 644)	-	-	-	-	110 653 083
Other assets	2 196 653	34 600	(24 246)	-	-	-	-	(313 318)	1 893 689
	2 233 843 010	**102 439 924**	**(849 187)**	**-**	**457 448**	**55 280 776**	**-**	**(116 881 721)**	**2 274 290 250**

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	45 855 258	64 797 825	110 653 083
Additions	58 566 529	25 973 328	84 539 857
Transfers	(26 984 699)	(14 843 456)	(41 828 155)
Impairment	(164 913)	-	(164 913)
	77 272 175	**75 927 697**	**153 199 872**

4. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	52 400 495	23 467 810	75 868 305
Additions	32 964 408	37 995 382	70 959 790
Transfers	(39 509 644)	-	(39 509 644)
Prior Priod Error Adjustments	585 690	2 748 943	3 334 633
	46 440 949	**64 212 135**	**110 653 084**

WIP projects taking long to complete

Included in the Work in Progress are projects that are taking significantly longer period to complete than expected with a carrying value of R104,326,395.

Infrastructure Asset- Roads and Stormwater Projects(R30,286,071)

There has been no movement since 2019. The delays in completion of community halls internal roads amounting to R10,464,830 were due to delays in attendance to the snag list. The projects were eventually completed in July/August 2020.

Construction of Ga-Debeila to Mohlaletsi Internal Street and Mashung Internal Street was delayed due to financial constraints. The balances at 30 June 2020 amounting to R1,652,731 are costs incurred in the 2018/19 financial year towards design and planning of the projects.

Delays in the construction of Magotwaneng, Mataganeng Bridge and Magakala Bridge with the balance of R18,168,510 was due to financial constraints. Funds were eventually secured in 2019/20 financial year and construction commenced. The municipality expects to complete in 2020/21 financial year.

Infrastructure Assets- Electrical Projects(R13,023,108)

This relate to the Highmastlights Phase 2 project. The project will be completed on or before 30 June 2021. The delays were due to financial constraints.

Community Assets - Recreational Grounds(R47,504,526)

Delays in completion of the sports grounds (Ga-Matodi Sports Complex, Radingwana Sports Complex and Mapodile Sports complex) were due to financial constraints.

Community Assets –Buildings (R13,512,690)

Makuwa Liabrary and Prakteseer Library with the total balance of R2,099,831 at 30 June 2020 were on design stage since 2019 financial year. The contractor was not appointed to start construction due to lack of funds, however funds were secured and construction has commenced in the 2020/21 financial year.

The practical completion certificate on Prakteseer Testing Station(R11,412,859) was issued and the project will be handed over to the municipality on or before 30 June 2021 after the contractor has attended to the snag list.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

4. Property, plant and equipment (continued)

Details of properties

IGRAP 18 DISCLOSURE ON LAND NOT RECOGNISED BY THE MUNICIPALITY
Municipalities shared and continue to share responsibility with provinces for the release of land for housing development, land use planning, and land use and building control. In terms of this responsibility, the Department of Human Settlement identified and repatriated land owned by the municipality to fulfil its mandate with respect to the delivery of houses. The location of the land is mainly farms in the following suburbs: Burgersfort in Mecklenburg, Burgersfort, Steel-port, Prakteseer Ohrigstad and Apel. Whilst the municipality has legal title to the land, it does not recognise the land because from the date of repatriation, the Department of Human Settlements is responsible for the subdivision, planning and urban development and the subsequent allocation of the built houses to beneficiaries. The Municipality has no right to control the land and is not involved in key decision making with respect to the use of this land.

In addition, several stands owned by the municipality in Mecklenburg, Burgersfort, Steel-port, Prakteseer,Ohrigstad and Apel has been illegally occupied and permanent structures put up by the invaders. Although the land is legally owned by the municipality, the municipality has no right to control as it cannot (a) directly use the land’s future economic benefits or service potential to provide services to beneficiaries; (b) exchange, dispose of, or transfer the land; and/or (c) use the land in any other way to generate future economic benefits or service potential. The municipality therefore does not recognize such land in its financial statements as it does not have control over it.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Land which Municipality has no control
Land with the value of R26,485,460 at 30 June 2020 were not included in the Land Register since the Municipality has no control.

Properties with the fair value of R14,370,000 at 30 June 2020 were not included in the Investment Property since the Municipality has no control.

Moveable Assets not found on the floor
During physical inspection and conditional assessment of moveable assets, Items with Net book value of R42,435.85 Were not found on the floor . These assets were derecognised from the asset register and transferred to the assets gains/loss listing and recognised as losses in the current year pending investigations over a period of one year.

Notes to the Annual Financial Statements

Figures in Rand

5. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Intangible assets	255 993	(138 574)	117 419	255 993	(108 342)	147 651

Reconciliation of intangible assets - 2020

	Opening balance	**Disposals**	**Total**
Intangible assets	147 651	(30 232)	117 419

Reconciliation of intangible assets - 2019

	Opening balance	**Prior period error**	**Amortisation**	**Total**
Intangible assets	72 546	114 751	(39 646)	147 651

6. Heritage assets

	2020			2019		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage Assets	1 068 300	-	1 068 300	1 068 300	-	1 068 300

Reconciliation of heritage assets 2020

	Opening balance	**Total**
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Reconciliation of heritage assets 2019

	Opening balance	**Total**
Art Collections, antiquities and exhibits	1 068 300	1 068 300

Heritage assets consist of the mayoral chains from the former Fetakgomo and former Tubatse Local Municipalities, and are carried at deemed cost.

7. Operating lease liability

Non-current liabilities	-	-
Current liabilities	-	(8 312 353)
	-	**(8 312 353)**

The comparative amount is in respect of the operating lease on the municipal building as at 30 June 2019. The lease expired in June 2020 and Council has since resolved to purchase the building.

Figures in Rand	2020	2019

8. Employee benefit obligations

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

POST RETIREMENT HEALTH CARE BENEFITS PROVISION

Present value of the defined benefit obligation-wholly unfunded	(20 040 262)	(20 082 955)
Current service cost	(1 894 712)	(2 133 516)
Interest cost	(2 167 465)	(1 850 605)
Benefits paid	164 033	226 754
Actuarial gains	5 530 208	3 800 060
	(18 408 198)	**(20 040 262)**

Non-current liabilities	(18 231 505)	(19 876 229)
Current liabilities	(176 593)	(164 033)
	(18 408 098)	**(20 040 262)**

Net expense recognised in the statement of financial performance

Service cost	1 894 712	1 850 605
Interest cost	2 167 465	2 133 516
Actuarial (gains) losses	(5 530 208)	(3 800 060)
	(1 468 031)	**184 061**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	(5 530 208)	(3 800 060)

LONG SERVICE AWARDS

Present value of the defined benefit obligation-wholly unfunded	(8 241 665)	(7 161 165)
Current service cost	(631 146)	(738 576)
Interest cost	(831 711)	(668 400)
Benefits paid	504 255	496 027
Actuarial (gains) losses	535 443	(169 551)
	(8 664 824)	**(8 241 665)**

Net expense recognised in the statement of financial performance

Service cost	631 146	668 400
Interest cost	831 711	738 576
Actuarial (gains) losses	(535 443)	169 551
	927 414	**1 576 527**

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	535 443	(169 551)

Non-current liabilities	(7 673 759)	(7 737 410)
Current liabilities	(991 065)	(504 255)
	(8 664 824)	**(8 241 665)**

8. Employee benefit obligations (continued)

Defined benefit plan

The actuarial valuation determined that the retirement plan was in a sound financial position.

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member.

Fetakgomo is committed to paying subsidies broadly as follows:

• All new continuation pensioners (that are currently still in service) and their dependants will receive a 60% subsidy subject to the maximum (CAP) amount of R4,492.35 (per month per member) for the financial period from 1 July 2019.

• All existing continuation pensioners and their dependants will continue to receive a 60% subsidy subject to the maximum (CAP) amount of R4,492.35 (per month per member) from 1 July 2019. That said, there are two continuation pensioners who receive a 100% subsidy.

• We have assumed that the subsidy would increase by 50% of long term CPI.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Employee benefit obligations (continued)

Key assumptions used

POST RETIREMENT MEDICAL AID PLAN

Valuation method
In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. The assumption underlying the funding method is that the employer's post-employment medical scheme costs in respect of an employee should be fully recognised by the time that the employee reaches fully accrued age. The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25:

Assumptions used at the reporting date:

Discount rates used	14,59 %	10,86 %
Consumer price inflation	9,35 %	7,16 %
Health care cost inflation	10,85 %	8,66 %
Net discount rate	3,37 %	2,02 %

It is the relative levels of the discount rate and health care cost inflation to one another that is important, rather than the nominal values. The assumption regarding the relative levels of these two rates is our expectation of the long-term average.

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology of setting financial assumptions has been updated to be more duration specific. The discount rate was set by taking the average yields from the zero-coupon SA Government bond curve with a duration of between 16 and 19 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 27 June 2020 is 14.59% per annum, and the yield on the inflation-linked bonds of a similar term was about 4.79% per annum, implying an underlying expectation of inflation of 9.35% per annum ([1 + 14.59%] / [1 + 4.79%] - 1).

A healthcare cost inflation rate of 10.85% was assumed. This is 1.50% in excess of the expected inflation over the expected term of the liability, consistent with the previous actuary.

However, it is the relative levels of the discount rate and healthcare inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.37% per annum ([1 + 14.59%] / [1 + 10.85%] - 1). This year's valuation basis is, therefore, stronger than the previous year's basis from a discount rate perspective.t

Demographic and decrement assumptions

The demographic and decrement assumptions were consistent in the previous and current valuation period, and are as follows:

Assumption	**Active employees**	**Pensioners**
Normal retirement age	65	-
Fully accrued age (to take account for ill-health and early retirement decrements)	63	-
Employment age used for past service period	Actual service entry ages	Actual service entry ages
Age difference between spouses	5 years	Actual ages used
Proportion married	90% assumed married at retirement	Actual marital status
Mortality	SA85-90 (Normal)	PA (90)

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

8. Employee benefit obligations (continued)

Withdrawal rates

We used the same withdrawal rates assumption used by the previous actuary to be consistent between valuations.

Age	Withdrawal rates
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55+	0%

8. Employee benefit obligations (continued)

Continuation percentages
We have assumed a continuation of the post-employment health care subsidy would be at 100% of active employees, or their surviving dependants.

LONG SERVICE AWARDS

Fetakgomo Tubatse Local Municipality offers bonuses for every 5 years of completed service from 10 years to 45 years. Below are the benefits awarded to qualifying employees.

Completed service (Years)	Long Service Bonus Awards (% of Annual Salary)
10	4.0%
15	8.0%
20,25, 30, 35, 40, 45	12.0%

NB: A day of accumulated leave is worth 1/250 of the annual salary.

Long service accumulated leave must be taken within one year of receiving such leave or may be wholly or partially cashed. FTLM advised that in most cases, employees choose to exercise the option to wholly convert their accumulative leave bonus days into cash.

Valuation method
In accordance with the requirements of GRAP25, the Projected Unit Credit method has been applied. Accrued liabilities are defined as the actuarial present value of all benefits expected to be paid in the future based on service accrued to the valuation date and awards projected to the retirement date. In determining these liabilities, due allowance has been made for future award increases.

The valuation has been made with reference Actuarial Society of South Africa (ASSA) guidelines, in particular, the Advisory Practice Note 207, and is consistent with the requirements of GRAP25.

VALUATION ASSUMPTIONS

Net discount rate
The key assumptions used in the valuation, with the prior years' assumptions shown for comparison, are summarised below:

Assumption	30-Jun-2019	30-Jun-2020
Discount rate	0.10	0.08
CPI	0.08	0.04
Salary increase rate	0.08	0.05
Net Discount Rate	0.03	0.03

GRAP25 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term of the obligation.

The methodology for setting the financial assumptions has been updated to be more duration specific. At the previous valuation report, 30 June 2019 the duration of liabilities was 6.29 years. At this duration the discount rate determined by using the Bond Exchange Zero Coupon Yield Curve as at 30 June 2020 is 8.20% per annum, and the yield on inflation-linked bonds of a similar term was about 4.40% per annum. This implies an underlying expectation of inflation of 3.64% per annum ([1 + 8.20%] / [1 + 4.40%] - 1).

We have assumed that salary inflation would exceed general inflation by 1.00% per annum, i.e. 4.64% per annum.

However, it is the relative levels of the discount rate and salary inflation to one another that is important, rather than the nominal values. We have thus assumed a net discount factor of 3.40% per annum ([1 + 8.20%] / [1 + 4.64%] - 1).

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

9. Inventories

	2020	2019
Consumables	725 143	372 822

Consumables 2020	Opening balance	Purchases during the year	Expensed during the year	Total
Consumables	372 822	994 415	(642 094)	725 143

Consumables 2019	Opening balance	Purchases during the year	Expensed during the year	Total
Consumables	355 207	908 269	(890 654)	372 822

10. Receivables from exchange transactions

	2020	2019
Other receivables	-	255 347
Staff debtors	172 006	5 535 747
	172 006	**5 791 094**

	2020	2019
Impairment of Other Receivables		
Opening Balance - Gross	255 347	255 347
less contribution to allowance	(255 347)	-
Net balance	**-**	**255 347**
	-	-

	2020	2019
Total receivables from exchange transactions	172 006	5 791 094

Included in receivables from non-exchange transactions is a balance of R79,390 staff debtors in respect of municipal officials who participated in strike action, whereupon the "No Work No Pay Policy" was implemented to recover the days not worked from the officials.

Included in receivables from non-exchange transactions is R118,848 in respect of overpayments to Councillors and an intern, which is being recovered through monthly instalment deductions..

	2020	2019
Reconciliation of allowance for impairment		
Contributions to allowance	(255 347)	-

11. Receivables from non-exchange transactions

	2020	2019
Traffic Fines	376 257	410 286
Other receivables	5 385 788	4 051 721
	5 762 045	**4 462 007**

	2020	2019
Impairment of Traffic Fines Debtors		
Opening Balance - Gross	2 201 282	3 049 043
less contribution to allowance	(1 825 025)	(2 638 757)
	376 257	**410 286**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

11. Receivables from non-exchange transactions (continued)

Impairment of Other Receivables		
Opening Balance - Gross	5 507 856	4 051 721
less contribution to allowance	(122 068)	-
	5 385 788	**4 051 721**
	-	-

Reconciliation of allowance for impairment		
Contribution to allowance	(1 947 093)	(2 638 757)

12. VAT receivable

VAT	10 629 830	10 949 580

13. Consumer debtors

Gross balances		
Rates	306 513 889	262 973 526
Refuse	82 193 285	65 156 102
Other	131 711 731	98 798 854
	520 418 905	**426 928 482**
Less: Allowance for impairment		
Rates	(274 896 382)	(220 685 111)
Refuse	(68 542 387)	(54 678 438)
Other	(109 709 370)	(82 911 145)
	(453 148 139)	**(358 274 694)**
Net balance		
Rates	31 351 990	42 288 415
Refuse	13 579 221	10 477 664
Other	21 999 038	15 887 709
	66 930 249	**68 653 788**
Included in above is receivables from exchange transactions		
Refuse	13 579 225	10 477 661
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	31 351 990	42 288 415
Other	21 999 038	15 887 709
	53 351 028	**58 176 124**
Net balance	**66 930 253**	**68 653 785**

Figures in Rand	2020	2019

13. Consumer debtors (continued)

Rates		
Current (0 -30 days)	7 984 369	9 601 888
31 - 60 days	5 327 441	4 632 962
61 - 90 days	4 657 420	4 112 672
91 - 120 days	4 227 694	3 709 567
121 - 365 days	3 997 879	52 409 926
> 365 days	280 319 085	188 506 513
	306 513 888	**262 973 528**

Refuse		
Current (0 -30 days)	2 076 468	2 217 827
31 - 60 days	1 754 017	1 469 964
61 - 90 days	1 590 583	1 480 728
91 - 120 days	1 561 292	1 446 196
121 - 365 days	1 515 263	9 757 613
> 365 days	73 695 661	48 783 774
	82 193 284	**65 156 102**

Sundry		
Current (0 -30 days)	2 713 164	3 402 970
31 - 60 days	2 630 266	2 778 550
61 - 90 days	2 584 092	2 551 877
91 - 120 days	3 197 777	2 476 893
121 - 365 days	3 230 937	19 340 282
> 365 days	117 355 495	68 248 281
	131 711 731	**98 798 853**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(358 274 695)	(277 960 783)
Contributions to allowance	(94 873 443)	(80 313 912)
	(453 148 138)	**(358 274 695)**

Consumer debtors pledged as security

None of the consumer debtors were peldged as security.

14. Consumer debtors by customer group

Gross balances		
Consumer debtors - Indingent	236 309	175 291
Consumer debtors - Government	218 358 142	191 114 193
Consumer debtors - Farms	24 315 196	20 984 322
Consumer debtors - Domestic	176 759 522	139 288 737
Consumer debtors - Churches	64 625	56 469
Consumer debtors - Business	90 776 024	67 285 616
Consumer debtors - Sundry	9 831 462	8 023 854
	520 341 280	**426 928 482**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

14. Consumer debtors by customer group (continued)

Indigent		
Current (0 -30 days)	5 413	5 348
31 - 60 days	5 453	5 314
61 - 90 days	5 424	5 279
91 - 120 days	5 684	5 245
121 days-plus	214 335	154 105
	236 309	**175 291**

Government		
Current (0 -30 days)	1 702 581	1 945 838
31 - 60 days	1 738 842	1 831 828
61 - 90 days	1 735 252	1 858 535
91 - 120 days	1 790 244	1 857 226
121 days-plus	211 391 224	183 620 766
	218 358 143	**191 114 193**

Farms		
Current (0 -30 days)	217 350	338 930
31 - 60 days	202 643	216 528
61 - 90 days	202 008	215 647
91 - 120 days	237 025	240 944
121 days-plus	23 456 170	19 972 273
	24 315 196	**20 984 322**

Domestic		
Current (0 -30 days)	4 680 812	4 547 927
31 - 60 days	4 159 476	3 913 633
61 - 90 days	3 709 404	3 402 247
91 - 120 days	3 672 075	3 388 141
121 days-plus	160 537 754	124 036 789
	176 759 521	**139 288 737**

Churches		
Current (0 -30 days)	1 201	1 605
31 - 60 days	1 150	1 059
61 - 90 days	699	1 055
91 - 120 days	766	711
121 days-plus	60 809	52 039
	64 625	**56 469**

Business and Industrial		
Current (0 -30 days)	5 965 722	6 104 437
31 - 60 days	3 581 438	3 615 872
61 - 90 days	3 156 660	3 233 364
91 - 120 days	3 251 321	2 634 742
121 days-plus	82 457 578	20 498 350
> 365 days	-	37 566 441
	98 412 719	**73 653 206**

Figures in Rand	2020	2019

14. Consumer debtors by customer group (continued)

Sundry		
Current (0 -30 days)	123 298	23 213
31 - 60 days	22 723	172 838
61 - 90 days	22 648	165 349
91 - 120 days	29 648	18 268
121 days-plus	1 996 450	1 018 533
> 365 days	-	258 064
	2 194 767	**1 656 265**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(358 274 695)	(277 960 783)
Contributions to allowance	(94 873 445)	(80 313 912)
	(453 148 140)	**(358 274 695)**

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	85 981 285	18 872 598
Short-term investments (Call accounts)	140 649 269	76 275 672
	226 630 554	**95 148 270**

Additional Disclosure

FNB Main Bank Account #565-500-22466

1. **Details of Pledged/Ceded balances are as follows:**
   PLEDGES/NOTICES/AUTHS 757,211.99 -

2. **Collateral (Security) Description:**
   Cession of FirstRand Deposit/ Credit Balances - Amount: R65,400.60 - Date: 20-February-2014

3. **Details of the total facility**:
   CONTINGENT BALANCE 59,400.60-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2020	**30 June 2019**	**30 June 2020**	**30 June 2019**
FNB BANK - CHEQUE ACCOUNT - 565-500-22466	13 183 822	4 259 588	26 451 173	5 229 303
FNB BANK - CALL ACCOUNT - 616-550-0887	82 153	80 697	82 149	80 693
STANDARD BANK - CALL ACCOUNT - 38578492001	140 567 120	76 194 979	140 567 120	76 194 979
STANDARD BANK - CURRENT ACCOUNT - 330062891000	36 101 278	7 161 897	36 101 278	7 161 897
STANDARD BANK - CURRENT ACCOUNT - 30144841000	23 428 830	6 014 811	23 428 830	6 014 811
STANDARD BANK - CURRENT ACCOUNT - 3016453000	-	-	-	466 586
Total	**213 363 203**	**93 711 972**	**226 630 550**	**95 148 269**

VBS Investments	**2020**	**2019**
Balance of VBS investments	243 256 998	243 256 998
less impairment of investments	(243 256 998)	(243 256 998)
Net Balance of VBS investments at year-end	**-**	**-**

Impairment of VBS Investments

Full provision was made for the investments in VBS due to the bank being put under curatorship on 11 March 2018 and the subsequent liquidation of the bank, which made the recoverability of the amounts invested highly unlikely.

The municipality assessed at the reporting date whether there is any indication that the impairment loss may no longer exist or may have decreased. The municipality appointed Verveen Attorneys to recover the VBS investments from the Liquidator, and the case was still pending as at 30 June 2020, hence the VBS investment was disclosed as a contingent asset in the 2020 Annual Financial Statements.

Should the municipality recover all or part of the investments from the legal action, the impairment loss recognised will be reversed with the value of the amount recovered.

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Finance Management Grant	-	163 989
Municipal Infrastructure Grant	29 775 265	2 070 486
Integrated National Electrification Grant	53 596 349	84 261 394
Distressed Mining Town Grant	35 811 598	50 236 700
	119 183 212	**136 732 569**

See note 31 for reconciliation of grants from National/Provincial Government.

These amounts are ring-fenced.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

17. Other financial liabilities

At amortised cost		
DBSA LOAN 102904/1&2 Interest is bearing at a rate of 10.415% per annum over a loan of 20 years for Loan 102904/1, and at a rate of 5% per annum over a loan of 20 years for Loan 102904/2.	10 063 185	10 916 093
DBSA LOAN 13585/102 Loan 13585/102 - Interest is bearing at a rate of 5% per annum over a loan of 20 years.	415 604	772 437
Total financial liabilities	**10 478 789**	**11 688 530**
Total other financial liabilities	**10 478 789**	**11 688 530**

The DBSA loan balance was repaid in full on 22 October 2020, therefore the amount outstanding as at 30 June 2020 is disclosed as current.

Non-current liabilities		
At amortised cost	-	10 606 626
Current liabilities		
At amortised cost	10 478 789	1 081 903

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

18. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Movement	Utilised during the year	Total
Landfill site rehabilitation	12 540 648	374 945	(799 603)	12 115 990
Leave accrual	13 819 469	3 421 787	-	17 241 256
	26 360 117	**3 796 732**	**(799 603)**	**29 357 246**

Reconciliation of provisions - 2019

	Opening Balance	Movement	Utilised during the year	Prior period error adjustment	Total
Landfill site rehabilitation	15 982 591	1 915 790	(1 532 573)	(3 825 160)	12 540 648
Leave accrual	14 023 723	(27 428)	-	(176 826)	13 819 469
	30 006 314	**1 888 362**	**(1 532 573)**	**(4 001 986)**	**26 360 117**

	2020	2019
Non-current liabilities	12 115 990	12 540 648
Current liabilities	17 241 256	13 819 469
	29 357 246	**26 360 117**

Landfill site rehabilitation provision

The Fetakgomo Tubatse Municipality landfill site was closed in 2019 as it was full. R799,603 (2019 - R1 532 573) was spent towards the landfill rehabilitation and closure costs and the provision was utilised for this purpose.

The municipality has an obligation to rehabilitate its Burgersfort and Malogeng landfill sites in terms of the closure license referenced 12/4/10/8-A/14/S10 issued by the provincial Department of Economic Development, Environment & Tourism on 26 June 2019, and the permit referenced 12/9/11/P67 issued by the national Department of Environmental Affairs & Tourism on 14 January 2009, respectively.

The final decommissioning and rehabilitation of the landfill represents a present legal obligation as a result of past events (opening and operation of the landfills) and will certainly result in an outflow of economic resources (final decommissioning and rehabilitation costs)

The provision for landfill sites balance relates to two sites as follows:

- Burgersfort Landfill Site	R4,061,357
- Malogeng Landfill Site	R8,054,633
TOTAL	**R12,115,990**

The Burgersfort Landfill site was closed in 2019 as it was full. R799,603 (2019 - R1 532 573) was spent towards the landfill rehabilitation and closure costs and the provision was utilised for this purpose.

The Malogeng landfill site was donated by the Sekhukhune District Municipality to Fetakgomo Tubatse Municipality with the effective transfer date being 01 July 2018. The landfill rehabilitation and closure cost provision for this landfill site was determined by the independent valuer to be R8,054,633 (Restated 2019-R7,679,688) as at 30 June 2020

No funds were set aside by the municipality towards the rehabilitation costs. The provision is presently not funded.

The following assumptions were made when calculating the provision for Malogeng Landfill Site:

1. Costs included in the provision relate only to costs associated with closure, pre-closure and post-closure of the current landfill site. Any costs associated with a new site will be capitalised to a new landfill asset in future.

18. Provisions (continued)

2. The liability is calculated using the General Landfill Closure Costing Mode (GLCCM) and includes estimated costs associated with:

- Pre-closure planning and approvals

- Final rehabilitation and closure costs. The final rehabilitation and closure elements includes:

a. Clearing, shaping and compacting

b. Capping

c. Top-soiling and vegetating

d. Storm water control

e. Leachate seepage control

f. Passive gas control

g. Fencing

-Post-closure monitoring and maintenance costs for 30 years

3. The previous year's costs have been escalated by the discount rate of 5%.

4. The rehabilitation costs are based on the area that has up till now been used for dumping of waste (10 468m^2 as this represents the current obligation).

5. The following CPI rates were used in determining the future value of the costs incurred: -(30 June 2020: 2.4107%, 30 June 2019: 6.21%

6. The following discount rates were used in determining the present value of the costs incurred: - (30 June 2020: 7.4107 %, 30 June 2019: 9.64%

7. Given the area still available and the rate at which waste is deposited, it is estimated that the Malogeng Landfill site will be closed 9 years from reporting date.

The estimated value of the rehabilitation cost of landfill sites has been determined as at 30 June 2020 by Mr Seakle Godschalk Pr Sci Nat, GIMFO. Mr Godschalk is a registered professional environmental scientist with the South African Council for Natural Scientific Professions (SACNASP) as well as the Southern African Institute of Ecologists and Environmental Scientists (SAIE&ES). He holds a Master's degree in Science as well as a Master's degree in Accounting. He is also a member of the Chartered Institute of Government Finance, Audit and Risk Officers (CIGFARO). Seakle is a member of the Institute of Directors.

Leave Provision

This is in respect of leave days for employees that accrues at a rate of 2 days per month. At year-end any days accrued but not yet taken are provided for, as the municipality has an obligation to pay the value of the leave days should an employee leave the municipality.

While the value of the leave days due at year-end can be calculated, the timing of any outflows is uncertain as it is impossible to ascertain when an employee will leave the municipality in future.

There is no expected reimbursement, or any amount of any asset that has been recognised for any expected reimbursement in respect of the leave provision.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

19. Payables from exchange transactions

Trade payables	51 474 195	42 885 474
Unallocated receipts	6 849 172	1 067
Accrued bonus	4 205 330	4 227 249
Retention creditors	23 554 404	19 447 512
Other payables	9 725 333	17 515 471
Consumer debtors in credit	5 281 846	6 430 173
	101 090 280	**90 506 946**

20. Service charges

Refuse removal - Own collection	20 965 279	20 690 893
Refuse removal - Private refuse removal	814 155	1 074 174
	21 779 434	**21 765 067**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

21. Rental of community offices and facilities

Premises		
Premises	309 318	351 068

22. Traffic Fines

Municipal Traffic Fines	1 905 550	2 651 844

23. Interest received (trading)

Interest received (trading)	6 534 811	5 389 225

Interest from service charges is calculated as a variable interest rate based on annual prime of 7,5% plus 1%.

24. Agency services

Licences and permits	6 975 455	7 321 229

Accounting by principals and agents
The entity is a party to a principal-agent arrangement.

The municipality is a party to an agreement between the municipality and the department of roads and transport to collect revenue licensing and permits. The municipality is entitled to 20% of the revenue collected.

The municipality is the agent.

Entity as agent

Revenue recognised
The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R6,975,455 (2019: R7,321,229).

Liabilities and corresponding rights of reimbursement recognised as assets
Corresponding rights of reimbursement that have been recognised as liabilties are R 3,766,229 (2019: R3,827,834 for the Department of Roads and Transport.

25. Licences and permits (exchange)

Road and Transport	6 975 455	7 321 229

26. Lease rentals on operating lease

Lease rentals on operating lease		
Contractual amounts	18 456 091	18 957 628

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

27. Other revenue

Fees earned	265 877	620 322

Included in fees earned are fees from valuation services, issuing of clearance certificates, cemetery and burial and plan printing.

28. Other income

Sundry Income	394 084	727 974
Donation income - Asset Gains	-	4 711 618
Staff Recoveries	-	5 520 747
Donation in Kind	-	604 022
	394 084	**11 564 361**

Donations In Kind
1. Donation in kind Included in the 2019 Other income is Donations in kind of R604,022 in respect of the remuneration of an official who was seconded by National Treasury to provide support to the municipality. An equivalent amount is included as an expense to the municipality.

2. COVID 19 Donations
On 3 June 2020 donations of sanitizers, face masks and food hampers were received from the local business community as part of efforts to combat the COVID 19 pandemic. These items were immediately distributed to the community through the Councillors and as at year end these had been entirely distributed.

3. Municipal Technical Advisor from National Treasury'
In the 2020 financial year a Municipal Technical Advisor from National Treasury's Government Technical Advisory Centre (GTAC) division, Mr Matome Chokoe, was seconded to the municipality in terms of the National Treasury's Municipal Finance Improvement Programme (MFIP IIIx) to provide technical assistance designed to build the financial management capacity of the municipality. The overall programme objectives of the MFIP programme are to incorporate the various dimensions of the municipal accountability cycle and to strengthen Institutional support, Supply Chain Management; Asset Management; Accounting & Audit Support, Budgeting and Revenue Management.

The Municipal Technical Advisor was placed by National Treasury at no cost to the municipality

29. Investment revenue

Interest revenue		
Bank	9 951 565	2 216 184

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

30. Property rates

Rates levied

	2020	2019
Property rates	29 860 581	29 646 485
Business and Commercial	26 312 536	26 630 587
State and parastatals	9 754 179	16 415 916
Small holdings and farms	4 234 528	4 271 766
Industrial properties	5 346 536	5 346 536
Mining properties	40 031 582	40 031 582
Less: Income forgone	(3 412 336)	(3 401 507)
	112 127 606	118 941 365
Property rates - penalties imposed	26 040 611	24 172 187
	138 168 217	**143 113 552**

Valuations

	2020	2019
Residential	2 998 592 000	2 998 592 000
Commercial	2 254 530 000	2 254 530 000
Government	131 026 000	131 026 000
Municipal	88 713 000	88 713 000
Small holdings and farms	1 847 941 000	1 847 941 000
Schools	798 085 000	798 085 000
Mines	676 680 000	676 680 000
Churches	18 440 000	18 440 000
	8 814 007 000	**8 814 007 000**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2016. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The general valuation roll will expire in 2021 and it is the intention of the municipality to apply for an extention of the current valuation roll in terms of the Municipal Property Rates Act.

31. Transfers and subsidies

	2020	2019
Other subsidies		
Indigent Relief	7 667 075	7 854 855

The municipality supports the registered indigents throught the Equiable Share and is paid directly to Eskom or Solar Vision.

Figures in Rand	2020	2019

32. Government grants and subsidies

Operating grants		
Equitable share	415 485 989	361 513 000
Expanded Public Works Program Grant	1 786 000	2 375 867
Finance Management Grant	3 000 000	3 951 011
Municipal Systems Improvement Grant	-	1 055 000
Municipal Disaster Relief Grant	596 000	-
	420 867 989	**368 894 878**
Capital grants		
Municipal Infrastructure Grant	54 594 221	47 341 514
Intergrated National Electrification Grant	30 697 045	10 738 606
Distressed Mining Town Grant	14 425 102	-
	99 716 368	**58 080 120**
	520 584 357	**426 974 998**

Equitable Share

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

All registered indigents receive a monthly 100% subsidy which is funded from the grant.

Finance Management Grant

Balance unspent at beginning of year	163 989	-
Current-year receipts	3 000 000	4 115 000
Conditions met - transferred to revenue	(3 000 000)	(3 951 011)
Returned to National Treasury	(163 989)	-
	-	**163 989**

Expanded Public Works Program Grant

Current-year receipts	1 786 000	2 035 000
Conditions met - transferred to revenue	(1 786 000)	(2 035 000)
	-	**-**

Municipal Infrastructure Grant

Balance unspent at beginning of year	2 070 486	-
Returned to National Treasury	(2 070 000)	-
Current-year receipts	84 369 000	49 412 000
Conditions met - transferred to revenue	(54 594 221)	(47 341 514)
	29 775 265	**2 070 486**

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

Municipal Disaster Relief Grant

Current-year receipts	596 000	-
Conditions met - transferred to revenue	(596 000)	-
	-	**-**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

32. Government grants and subsidies (continued)

The grant was transferred by the Sekhukhune District Municipality to enable a timely response to COVID 19 pandemic so that the immediate consequences of disaster are mitigated.

A total of R5,171,893 was spent, of which R596,000 was from the grant. The breakdown of the spending as **per Municipal SCOA Circular No. 9 guidelines** is as follows:

	R
Health	1,056,586
General	3,817,371
Community	297,936
TOTAL	**5,171,893**

Municipal Systems Improvement Grant

Current-year receipts	-	1 055 000
Conditions met - transferred to revenue	-	(1 055 000)
	-	**-**

Intergrated National Electrification Grant

Balance unspent at beginning of year	84 261 394	80 000 000
Current-year receipts	10 000 000	15 000 000
Conditions met - transferred to revenue	(9 384 680)	(5 031 818)
Returned to National Treasury	(9 968 000)	-
Contribution to lost INEG Grant	(21 312 365)	(5 706 788)
	53 596 349	**84 261 394**

An amount of R27,019,153 in respect of own finding on electrification projects was set off against the R80,000,000 INEG conditional grant liability, which was lost through the VBS investments in 2018.

Conditions still to be met - remain liabilities (see note 18).

Distressed Mining Town Grant

Balance unspent at beginning of year	50 236 700	-
Current-year receipts	-	50 236 700
Conditions met - transferred to revenue	(14 425 102)	-
	35 811 598	**50 236 700**

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs

Basic	107 842 387	104 200 268
Medical aid - company contributions	9 009 899	8 357 658
UIF	555 130	575 593
SDL	35 424	44 004
Skills development levy	1 255 486	1 527 131
Leave pay provision charge	3 854 774	328 491
Defined contribution plans	20 844 678	19 535 445
Travel, motor car, accommodation, subsistence and other allowances	1 268 146	1 283 911
Overtime payments	4 311 380	2 991 388
Long-service bonus provision	364 538	207 783
13th Cheques	8 437 478	6 245 745
Acting allowances	372 221	179 826
Car allowance	17 216 504	16 546 490
Housing benefits and allowances	1 949 598	1 691 080
Telephone allowance	2 000 197	1 904 379
Other allwance	-	11 526
Standby allowance	809 207	647 827
Post Employment Health Care Benefit Current Cost	4 856 746	4 668 316
	184 983 793	**170 946 861**

Remuneration of Municipal Manager

Annual Remuneration	245 727	952 703
Acting Allowance	221 857	49 170
Leave Pay	135 982	-
Car Allowance	82 066	296 805
Telephone Allowance	7 411	29 645
Travel Claim	-	32 234
Remote Allowance	15 597	49 831
Refund	-	1 068
Backpay	61 660	-
	770 300	**1 411 456**

Remuneration of Chief Finance Officer

Annual Remuneration	179 479	59 667
Acting Allowance	44 490	7 234
Telephone Allowance	7 350	2 450
Car Allowance	56 841	25 415
Travel Claim	6 541	29 659
Backpay	-	86 313
Remote Allowance	9 459	3 410
Backpay	6 634	-
	310 794	**214 148**

Remuneration of Deputy Chief Financial Officer

Annual Remuneration	-	470 395
Car Allowance	-	82 980
Telephone Allowance	-	14 923
Travel Claim	-	6 870
Bonus	-	77 229
Backpay	29 815	200 722
Remote Allowance	1 192	-
	31 007	**853 119**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs (continued)

Director Regional Office

Annual Remuneration	631 131	627 621
Car Allowance	180 000	168 000
Housing Allowance	63 774	43 936
Travel Claim	43 910	35 728
Telephone Allowance	29 400	29 400
Remote Allowance	39 187	35 391
Bonus	52 837	47 311
Backpay	82 020	-
Refund	371	-
Subsistence Allowance	268	-
	1 122 898	**987 387**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs (continued)

Remuneration of Corporate and Human Resources (Corporate Services)

Annual Remuneration	367 840	814 861
Housing Allowance	42 545	108 000
Car Allowance	70 909	180 000
Telephone Allowance	-	29 400
Travel Claim	11 582	6 231
Subsistence Allowance	-	384
Remote Allowance	24 037	46 438
Refund	-	5 000
Leave Pay	188 299	-
Acting Allowance	57 679	-
Backpay	118 882	-
	881 773	**1 190 314**

Remuneration of Community Services

Annual Remuneration	597 642	592 568
Telephone Allowance	29 400	19 600
Remote Allowance	-	23 594
Bonus	49 547	-
Car Allowance	226 555	-
Housing Allowance	60 000	-
Travel Claim	45 176	-
Backpay	66 103	-
Remote Allowance	38 550	-
	1 112 973	**635 762**

Remuneration of Director Technical Services

Annual Remuneration	729 231	690 772
Housing Allowance	72 000	72 000
Car Allowance	72 000	72 000
Backpay	82 013	-
Remote Allowance	39 186	70 782
Bonus	55 469	56 838
Travel Claim	16 697	7 625
Telephone	29 400	56 350
	1 095 996	**1 026 367**

Remuneration of Director Economic and Planning

Annual Remuneration	570 231	551 919
Car Allowance	232 725	233 381
Telephone Allowance	29 400	29 400
Travel Claim	8 436	7 235
Housing Allowance	83 519	60 000
Subsistence Allowance	-	35 391
Bonus	46 627	-
Backpay	123 587	-
Remote Allowance	40 850	-
	1 135 375	**917 326**

Remuneration of Director Development and Planning

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

33. Employee related costs (continued)

Annual Remuneration	714 568	808 467
Car Allowance	75 000	70 000
Telephone Allowance	29 400	29 400
Housing Allowance	90 842	8 400
Travel Claim	17 678	14 401
Bonus	61 260	-
Remote Allowance	39 187	35 391
Backpay	82 020	-
Subsistence Allowance	646	-
Refund	142	-
	1 110 743	**966 059**

34. Remuneration of councillors

Mayor	876 887	568 791
Chief Whip	785 672	529 019
Mayoral Committee Members	2 589 289	3 573 953
Speaker	900 493	517 147
Councillors	26 809 420	26 230 162
	31 961 761	**31 419 072**

In-kind benefits

The Mayor, Speaker and Chief Whip are full time and provided with office space and secretarial support at the cost of the Council.

The executive committee consists of full time and part time members.

The Mayor has the right of use of a municipal vehicle including a driver.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

34. Remuneration of councillors (continued)

Remuneration of Mayor

Car Allowance	208 422	103 484
Cellphone Allowance	39 800	25 900
Travel Claim	-	18 439
Salary	625 265	417 367
Data Allowance	3 400	3 600
	876 887	**568 790**

Remuneration of Speaker

Car Allowance	188 680	121 380
Cellphone Allowance	40 800	20 400
Travel Claim	104 972	67 902
Salary	562 341	305 666
Data Allowance	3 700	1 800
	900 493	**517 148**

Remuneration of Chief Whip

Car Allowance	173 996	121 380
Cellphone Allowance	40 800	43 500
Travel Claim	48 891	34 074
Salary	518 285	326 465
Data Allowance	3 700	3 600
	785 672	**529 019**

Remuneration of Councillors

Car Allowance	5 959 611	5 592 963
Cellphone Allowance	2 942 755	2 702 452
Travel Claim	3 136 314	3 336 898
Salary and Allowances	17 092 905	17 674 972
Foreign Subsistence Allowance	268	34 736
Data Allowance	266 855	264 723
Backpay	-	197 370
	29 398 708	**29 804 114**

Councillors' remuneration is paid in line with the upper limits.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

35. Depreciation and amortisation

Property, plant and equipment	105 640 154	119 065 635
Intangible assets	30 232	39 646
	105 670 386	**119 105 281**

36. Impairment losses/reversal of impairment

Impairment losses		
Property, plant and equipment	1 666 330	-
Describe the events and circumstances that led to the recognition or reversal of the impairment loss. The recoverable amount or [recoverable service amount] of the asset was based on its fair value less costs to sell or [its value in use.]		

37. Finance costs

Finance leases	-	323
Current borrowings	797 715	901 022
Service concession arrangements	-	5 892
	797 715	**907 237**

38. Debt impairment

Debt impairment - Consumer debtors	92 436 082	78 815 386
Debt impairment - Traffic debtors	1 825 025	2 638 757
Debt impairment - Long outstanding debtors	377 415	-
	94 638 522	**81 454 143**

39. Bad debts written off

Amnesty Debtors	567 222	5 159 270
Irrecoverable long outstanding other debtors	-	1 337 043
	567 222	**6 496 313**

The bad debts written off are in respect of the 50% amnesty granted to debtors who settled half their debts as part of the municipality's debt recovery plan.

40. Contracted services

	93 210 730	**83 335 196**

mSCOA breakdown of Contracted Services:

	2020	**2019**
CONTRACTED SERVICES	**R**	**R**
Consultants and Professional Services	39,199,306	40,472,474
Contractors	9,678,068	3,579,761
Outsourced Services	44,333,356	39,282,961
TOTAL	**93,210,730**	**83,335,196**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

40. Contracted services (continued)

CONSULTANTS AND PROFESSIONAL SERVICES

Business Advisory Service		
Accountants and Auditors	688,744	1,390,308
Audit Committee Members	354,823	401,431
Business and Financial Management	5,971,311	4,573,711
Commissions and Committees	30,007	41,973
Occupational Health and Safe	249,918	120,890
Town Planner	1,941,275	1,107,344
Total Business Advisory Services	**9,236,077**	**7,635,656**
Trading Services		
Electricity	7,182,972	2,767,931
Refuse Removal Services	12,272,361	14,664,283
Total Trading Services	**19,455,332**	**17,432,214**
Legal Services		
Legal Cost Advice & Litigation	10,507,897	15,404,604
CONTRACTORS		
General Services		
Electrical	53,040	1,003,962
Employee Wellness	8 264	42,783
Pest Control & Fumigation	67,023	134,416
Stage & Sound Crew	-	6,000
Total General Services	**128,327**	**1,187,161**
Maintanance Services		
Inspection Fees	-	3,695
Maintenance Of Buildings & Facilities	1,959,492	633,843
Maintenance Of Equipment	3,922,261	1,379,547
Maintenance Of Unspecified Assets	3,009,422	12,038

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
40. Contracted services (continued)		
Traffic & Street Lights	658,567	363,478
Total Maintanance Services	**9,549,742**	**2,392,600**
OUTSOURCED SERVICES		
Business and Advisory Services		
Human Resources	16,440,00	9,450
Professional Staff	1,445,435	1,180,000
Project Management	1,990,086	2,404,810
Research & Advisory	23,989	232,000
Valuer	954,000	941,690
Total Business and Advisory Services	**4,429,987**	**3,846,260**
General Services		
cash collection	224,574	652,474
Catering Services	222,675	226,893
Cleaning Services	29,640	73,069
Clearing & Grass Cutting Services	-	32,928
Personnel & Labour	109,912	398,346
Total General Services	**631,746**	**1,383,710**
Trading Services		
Security Services	39,271,623	34,052,991

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

41. General expenses

Allowances traditional leaders	133 500	229 500
Advertisements	137 244	109 984
Auditors remuneration	5 627 874	8 836 587
Bank charges	270 726	307 899
Consulting and professional fees	686 739	614 165
Entertainment	114 968	291 919
Hire	556 823	385 826
Insurance	1 758 311	1 154 820
IT management	4 388 394	9 747 526
Promotions and sponsorships	1 189 386	2 427 408
Magazines, books and periodicals	33 414	3 930
Fuel and oil	2 873 888	1 800 531
Printing and stationery	-	991 627
Protective clothing	-	307 596
Royalties and licence fees	219 872	146 941
Subscriptions and membership fees	1 699 422	84 820
Telephone and fax	2 442 435	2 511 859
Training	1 533 742	278 812
Travel - local	5 390 172	3 998 615
Skills development program	3 589	52 252
Special programs	2 474 380	2 719 088
Ward committee	5 555 949	4 486 000
Hawker's fees	-	604 022
Other expenses	3 894 357	5 276 733
	40 985 185	**47 368 460**

42. Fair value adjustments

Investment property (Fair value model)	17 470 000	28 350 000

These are fair value adjustments (gains) from the fair valuation of the municipality's Investment Property in line with the municipality's accounting policy and GRAP 16 paragraphs 46 to 70.

43. Auditors' remuneration

Fees	5 627 874	8 836 587

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

44. Cash generated from operations

Surplus	142 007 744	81 957 623
Adjustments for:		
Depreciation and amortisation	105 670 386	119 105 281
Landfill site provision	374 945	1 915 789
	-	-
Fair value adjustments-investment property	(17 470 000)	(28 350 000)
Loss on disposal of assets	1 726 114	557
Inventory losses/write-downs	-	514 623
Operating lease straight -lining	18 227 709	18 957 628
Impairment deficit	1 666 330	-
Debt impairment / (Reversal of Impairment)	94 638 522	81 454 143
Bad debts written off	567 222	6 496 314
Leave provision	3 421 787	(27 428)
Bonus Accrual	(21 919)	120 498
Employee benefits obligation movements	(1 208 905)	1 037 807
Changes in working capital:		
Inventories	(352 321)	440 222
Receivables from exchange transactions	5 619 088	(4 465 562)
Other receivables from Consumer debtors	(94 651 240)	(85 481 074)
Other receivables from non-exchange transactions	(1 300 038)	(3 968 530)
Payables from exchange transactions	10 583 334	(56 694 212)
VAT	319 750	29 036 516
Unspent conditional grants and receipts	(17 549 357)	56 732 569
	252 269 151	**218 782 764**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

45. Commitments

Authorised capital expenditure not completed

Already contracted for but yet completed		
• Property, plant and equipment	133 813 828	229 343 387
Capital Commitments - Prior period Errors		
• Commitments as per 2019 audited AFS	-	84 239 302
• Commitments omitted in the 2019 audited balance	-	130 752 078
• Understatement of Commitments per projects disclosed in the 2019 audited balance	-	14 352 007
Restated balance as at 30 June 2019	**-**	**229 343 387**
Total capital commitments		
Already contracted for but yet completed	133 813 828	229 343 387

Authorised operational expenditure

Already contracted for but yet completed		
• Expenditure	113 546 992	94 214 969
Operational Commitments - Prior period Errors		
• Commitments as per 2019 audited AFS	-	94 214 969
• Commitments omitted in the 2019 audited balance	-	111 270 881
• Understatement of Commitments per projects/services disclosed in the 2019	-	32 037 456
• Overstatement on 2019 Operational Commitments	-	(199 462)
	-	**237 323 844**
Total operational commitments		
Already contracted for but yet completed	113 546 992	237 323 844

Total commitments

Total commitments		
Authorised capital expenditure	133 813 828	229 343 387
Authorised operational expenditure	113 546 992	237 323 844
	247 360 820	**466 667 231**

This committed expenditure relates to plant and equipmentas well as operational expendtire budgeted for in the Medium Term Revenue and Expendutire Framework and it will be financed out of existing cash as well as future anticipated revenue to be collected as per Section 18 of the MFMA.

Minicipality does not have any commitment beyond 3 financial years other than DBSA loan which is regulated in terms of Section 46 of the MFMA.

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	-	25 274 327

Fetakgomo Tubatse Local Municipality leases a building from Tubatse Properties (Pty) Ltd for a period of 10 years, effective from 1 July 2010. The lease payment is R2,450,000 per month VAT inclusive with an annual escalation of 10% and the contract expired on 30 June 2020. Furthermore, Council has resolved to purchase the building.

46. Contingent Assets and Liabilities

Contingent assets

Description	**2020**	**2019**
1. Mashile Caiphus Sebesho / Fetakgomo-Greater Tubatse Local Municipality - Mr Sebesho continued to receive salary from August 2014 to January 2015 to the amount of R251,618 despite his contract having terminated on the 04th day of July 2014.	251 618	251 618
	-	-
2. SIU vs.Mphaphuli Consulting//GTM - The municipality has taken legal action and is is in the process of seeking to recover money that was paid to Mphaphuli Consulting (Pty) Ltd regarding the electrification of villages.Per the SIU proclamation number R52 of 2014 SIU has taken over the case and summons have been issued to Mphaphuli Consulting (Pty) Ltd. The possible financial exposure is R76 462 807.89	76 462 807	76 462 807
3. FTM/Phasha MI - Mr Phasha was appointed as Director of Corporate Services for FTM and it later transpired that his appointment was irregular and did not satisfy the prescribed recruitment process of the municipality.	-	-
4. FTM/TT Property consultants TT Property Consultants was appointed in 2014 for the compilation of valuation and supplementary rolls for the former GTM for a period of 4 years (July 2015 to June 2019) for a total cost of R2 960 000.have been receiving payments from the year 2015 to date on the contract which amount to R11 743 248, 54 whereas the contract amount is R2 960 000 with the overpayment amount being R8 783 248, 54.	8 783 249	8 783 249
5. FTM/Murathi IncMurathi Inc was erroneously paid twice by FTM. Potentially recoverable amount not quantified.	-	-
6. FTM/Gracious Lodge and others Respondent developed and erected further building without prior approval of the municipality. Cost to be tenderd by the third defendants	-	-
7. FTM/Naheeda Property and othersRespondent developed a social hall which extended to the adjacent property without the consolidation of both contiguous properties and prior approval from the municipality. Respondents to pay wasted costs.	-	-
8. MI Phasha Attorneys were given instructions on 14/11/2019 to institute review proceedings to set aside the appoinment of Mr Phasha as Director Corporate.	-	-
	85 497 674	**85 497 674**

Contingent liabilities

The following are the Contingent liabilities assumed:

Description	2020	2019
1. Edward Baleni Property Consultants vs FLM. The service provider failed to complete valuation roll in terms of the contract with the then Fetakgomo local municipality. The plaintiff sued the municipality sum of R2 591 350,00. The potential financial exposure is R2,591,350. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	2 591 350	2 591 350
2. Bernard Nchabeleng vs FLM. The plaintiff was evicted from the municipality land. He plaintiff alleges that he was allocated the land by the traditional authority. Further alleges that he suffered damages in the amount of R590 000, 00 as result of their eviction. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	590 000	590 000
3. FM Maluleka Inc vs FRM. The municipality's legal represantative claimed for legal costs in the matter of Mphaphuli Consulting. The court awarded the plaintiff a judgement of R878,494 with interest and this was accrued as an adjusting post balance sheet event per GRAP 14. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	878 494

Figures in Rand	2020	2019
46. Contingent Assets and Liabilities (continued)		
4. Thwala vs. FTLM & Mokwatedi Tlou. The plaintiff has lodged a claim against the municipality due to an accident caused by the employee while in the line of duty. Thwala alleges that the employee was negliegent. The possible financial exposure is R73,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	73 000
5. CN Rabada vs FTLM. Former employee CN Rabada challenged the municipality's decision to dismiss her. The employee was awarded reinstatement and back pay of R1 482 652.84 which the municipality honoured. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	1 482 653
6. Harlequinne Duck Properties vs. FTLM.The Plaintiff is suing the Municipality for delictual damages allegedly suffered as result of Municipal failure to comply with the agreement to exchange properties entered into around 2009 for the amount of R 29 ,303,469,63. R478,321.47 was also claimed for loss of income. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	29 781 791	29 000 000
7. Puladitsela Consulting v GTM. The consultant was appointed by the GTM for planning, design and implementation of electrification on several villages within the GTM. They claim that the Municipality is using their designs for implementation of Operation Mabone. The claim amount is R95m. The possible exposure is R95,000,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	95 000 000	95 000 000
8. GTM vs Mosoma ON.The Municipality dismissed the former Supply Chain Manager sequel being fingered in the Mapotene Forensic report. He challenged his dismissal which was later confirmed by the arbitration. He has since approached the Labour Court on review to set aside his dismissal. The possible financial exposure is R1,250,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	950 000
9. GTM v N.A Koko. Employee was dismissed for misconduct. The Review has been concluded however the employee has taken the matter on appeal. All relevant pleadings have been exchanged and heads of arguments submitted. Parties await the hearing date for the Appeal hearing, alternatively judgment of the Appeal, should same be decided on papers. Financial exposure is reinstatement and possibly up to 24 months compensation for unfair dismissal in the sum of R955 621.00. Legal fees are estimated at R100,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	955 621	955 621
10. Sebesho Caiphus vs FTLM. The former mayoral driver was suing the municipality for unfair dismissal. He has since passed away. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	754 706
	-	-
11. MS Mtombooti vs FTLM. MS Mtomboti was dismissed by the municipality for failing to disclose his criminal record when he was hired. He appealed his dismissal at the Labour Court and the municipality is opposing his appeal. The possible financial exposure could not be determined. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	-	-
12. Mogodi RR & others vs FTLM. The employees are challenging the municipality for unfair labour practices as a result of placement of former GTM employees. The arbitration is on favour of the employees and the employer is bound to comply with the award. The possible financial exposure could not be determined.	-	-
13 . Edward Ntala Mafane & 3 Others / Fetakgomo-Greater Tubatse Local Municipality - These matters relate to contract of employment which contract was aligned to the term of office of the Executive Mayor. Upon expiry of the term of office of the Executive Mayor the contracts of those employees automatically lapsed and/or ended by effluxion of time. Now these employees’ contracts ended upon resignation of the Mayor. Soon thereafter they launched an action in the Labour Court, Braamfontein claiming unfair dismissal. We have since replied to their statement of claim indicating that it is not an unfair dismissal but that their contracts have ended. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	500 000	-
14. MPHAPHULI VS FTLM// SIUThe municipality received combined summons on the 15th June 2020 where Mphaphuli Consulting is the plaintiff claiming to have suffered Patrimonial loss, contractual and consequential damages. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	506 713 014	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019
46. Contingent Assets and Liabilities (continued)		
15. MPHAPHULI VS FTLM// ESKOMThe municipality received summons from the complainant where they claim that the municipality is owing them monies. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	9 763 851	-
16 . Evidence Malesa & 182 others Former employees whose contracts were not renewed by the municipality initiated arbitration processes against the municipality, arguing that their contracts should have been renewed. The commissioner ruled in their favour however the municipality is appealing the ruling. The possible financial exposure cannot be determined. he potential financial exposure is R4,000,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	4 000 000	-
17 . Tubatse Waste Management Consortium Vs Fetakgomo/ Greater Tubatse Local Municipality& 02 Others - The Plaintiff issued summon in respect of alleged damages incurred due to the cancellation of a tender. The plaintiff amended their summons and we have amended and filed our plea to their amended papers. We will proceed to file our discovery notices and discovery affidavit to have the matter move forward. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	366 022 288	-
18 . FTM/Mapale Distibutors CC - Mapale was awarded a contract to construct a fence for a cemetery. The job was doen and they were paid in full, Mapale now sues the municipality for the entire contract amount less amount paid, being R175,392.80. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	122 775	-
19 . FTM/Sekoko Mametja IncThis is a legality review of a decision to appoint Sekoko Mametja to panel of debt collectors of the municipality. The court granted the order but the respondent filed for an application to leave. The potential financial exposure is R150,000. The timing of any outflow or the possibility of any reimbursement from this case cannot be ascertained at this stage.	150 000	-
	1 016 190 690	**132 275 824**

Prior Period Error - Contingent Assets and Liabilities

Adjustments were made to correct the following errors identified:

Contingent Liabilities	
Amount as per 2019 audited AFS	227 973 428
1. Mopicon Construction (Pty) Ltd - Matter was removed from roll on 17-04-2015	(3 000 000)
2. GTM vs Matladi Family Trust - The matter was finalised in 2013 in favour of the municipality.	(540 000)
3. Loncon developments (Pty) Ltd - The matter was finalised in 2016 in favour of the municipality.	(89 000 000)
4. Mams Architecture v FTLM - Case does not constitute Contingent liability	(157 604)
5. Munsoft (Pty) Ltd vs former Greater Tubatse Local Municipality. The Greater Sekhukhune District Municipality appointed Munsoft (Pty) Ltd to assist local municipalities under its jurisdiction to compile annual financial statements, but sued the former Greater Tubatse Local Municipality for R3,000,000. Matter was therefore removed from the continent liabilities register as the Munsoft was not appointed by the Local Municipality.	(3 000 000)
Restated Balance	**132 275 824**

Contingent Assets	
Balance per 2019 audited AFS	76 462 807
1. Previously omitted case: Mashile Caiphus Sebesho / Fetakgomo-Greater Tubatse Local Municipality - Mr Sebesho continued to receive salary from August 2014 to January 2015 to the amount of R251,618 despite his contract having terminated on the 04th day of July 2014.	251 618
2. Previously omitted case: FTM/TT Property consultants TT Property Consultants was appointed in 2014 for the compilation of valuation and supplementary rolls for the former GTM for a period of 4 years (July 2015 to June 2019) for a total cost of R2 960 000. They received payments from the year 2015 to 2019 on the contract which amounted to R11 743 248, 54 whereas the contract amount is R2 960 000 with the overpayment amount being R8 783 248, 54.	8 783 249
	85 497 674

47. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Councillors	Refer to note 34
Directors	Refer to note 33

The Directors and Councillors are related parties and their transactions are included in note 31 and 32. The municipality has various processes in place to identify and note any related party transactions. These processes range from disclosure by bidders on the bid documents (MBD4) to maintenance of a conflict of interest register. For councillors, the disclosure register is kept in the Office of the Speaker whilst for other senior managers it is kept by the Corporate Services Directorate.

Councillors and Directors are related parties and their transactions are included in the notes to the financial statements.

48. Change in estimate

Property, plant and equipment

The Property, Plant and Equipment useful lives per the asset management policy, asset register, and the accounting policy disclosed in the financial statements was previously not aligned resulted in the differences in the recalculations of the reasonableness of Depreciation. The useful lives were subsequently aligned by amending the accounting policy disclosure in the financial statements. The effect of the changes in accounting estimate due to alignment of policy is as follows

Asset Category	Prior Year EUL disclosed in the AFS	Realigned EUL	Changes in Depreciation
Motor Vehicles	5-15	3-25	No effect, error was on the disclosure of EUL
Furniture and Fittings	4-20	4-25	No effect, error was on the disclosure of EUL
Office Equipment	3-20	3-50	No effect, error was on the disclosure of EUL
Plant and Equipment	3-15	2-50	No effect, error was on the disclosure of EUL
Intangible Assets	3-10	3-25	No effect, error was on the disclosure of EUL

49. Prior period errors

1. The 2019 debt impairment on consumer debtors was not correctly calculated in terms of GRAP 104 par. 61 resulting in understatement of the Debt impairment provision by R16,111,113, Output VAT by R1,498,5525 and Debt impairment expense by R14,612,588.

2. The 2019 Rates revenue and accumulated were understated by R6,679,397 due to an errorneous journal that was processed to reverse system adjustments initially processed in accumulated surpus.

3. An investment property, ERF 10 Burgersfort, with a Fair Value of R1,810,000 as at 30 June 2019 (2018: R1,570,000), was not included in the 2019 investment property register resulting in undertatement of investment property..

4. 2018 supplier invoices amounting to R6,805,113 were not accrued for in the 2017-18 financial year, and the post-year end payments to the suppliers were incorrectly processed against the 2019 expenditure. This resulted in 2018 payables being understated by R6,805,113..

5. 2018 supplier invoices amounting to R719,919 were not accrued for in the 2017-18 financial year, and the post-year end payments to the suppliers were incorrectly processed against the 2019 expenditure. This resulted in 2018 payables being understated by R719,919.

6. 2019 supplier invoices amounting to R4,869,307 were not accrued for in the 2018-19 financial year, and the post-year end payments to the suppliers were incorrectly processed against the 2019 expenditure. The 2019 payables was understated by 4,869,307, Input VAT by R238,130.93 and operating expenditure by R4,631,176 during the 2019 financial year.

7. 2019 supplier invoices were not accrued for in the 2018-19 financial year, resulting in understatement of 2019 expenditure by R1,955,983.67, creditors by R2,108,555 and Input VAT by R152,572.

8. The Mothakge invoiceof R606,189 dated 13 December 2018 was received and paid on the 19 December 2019 against the accumulated surplus vote, and was omitted in the prior year wip register, retention register and misposted to accumulated surplus vote in the 2019/20 financial year. This resulted in understatement of WIP by R585,690, Input VAT by R87,354 , Creditors by R606,189 and Retention liability by R67,354.

9. Retention amounting to R268,344.53 incl VAT for Electrification of 909 houses project was ommitted in the prior year financial statements. Prior year adjustments to Work in progress(R233,343); Input VAT(R35,001.46) and Retention Liability(R268,344.53) were processed to correct the error.

10. Loge Certifcate 8 with the value of R1,481, 488.46 (excl VAT) or Burgersfort Stormwater(gtm/33/13/14) was erroneously paid against a budget adjustment vote on 6 August 2016 and the invoice amount was omitted in both the asset register and retention register. An adjustment of R8164,262.13(Property Plant and Equipment), R671,362.96(Retention Liability) and R93,125(Input VAT) was processed in the ledger to recognise the Property, Plant and Equipment and Retention Liability. The budget adjustment vote was cleared off against accumulated surplus in the prior years hence the prior year adjustment of R1,481, 488.46 (excl VAT) was posted to accumulated surplus.

11. The Staff debtors in respect of municipal officials who participated in strike action, was overstated by R177,865 as it included amounts already deducted as at 30 June 2019.

12. Dirt roads with a net book value of R7,484,892.27 were capitalised inprior years in the asset register, resulting in overstatement of infrastructure assets and accumulated surplus by R7,484,892.27.

13. The Bawelile Certifcate 7 for the Burgersfort Stormwater was omitted in the final project costs transferred to PPE in 2017resulting in undestatement of PPE by R95,467.

14. The software additions for 2019 were recorded in the asset register however the journal to recognise the asset as Intangible asset was not processed in the ledger resulting in understatement of Intangible assets and Accumulated surplus by R31,900.

15. An amount of R5,706,788 i.r.o 2019 own finding on electrification projects was set off against the R80,000,000 INEG conditional grant liability. This resultied in the Unspent conditional grant liability decreasing by R5,706,788 while the grant income recognised increased by the same amount.

49. Prior period errors (continued)

16. 2019 trasactions amounting to R31,292 were incorrectly accounted for in the 2020 financial year in the Former Fetakgomo Standard bank account. This resulted in understatement of the 2019 bank balance and accumulated surplus byR31,292.

17. The municipality received a donation of a two Taxi Ranks(Apel Taxi Rank and Apel Taxi Rank) from the Sekhukhune Distirict Municipality on 1 July 2018 at the carrying amount of R4,247,825.02. The carrying amount at 30 June 2019 of R4,106,230 was processed as a prior year adjustment after taking into consideration depreciation of R141,594.03

18. The municipality recognised 4 bridges and one culvert that were previously omitted in the asset register. The deemed cost of the bridges was R545.158 and the Accumulated Depreciation of R109,090.41. The carrying amount of R436,067.91 was processed to accumulated surplus.

19. Community Halls(Djata, Dilokong, Maroga, Koponenga and Mogotong)previously were erroneously derecognised in the prior years resulting in understatement of community assets by NBV R9,687,544, depreciation by R242,884 and accumulated surplus by R9,687,544.

20. A different methodology was used from the methodology used in in determining the provision in the prior year. The changes in methodology resulted in the decrease in prior year provision by R3,825,260. A prior year adjustment was processed against Tubatse Rehabilitation of Landfill site in the income statement (R1,558,297) and 2019 opening accumulated surplus(R2,266,863).

21. Adjustment for Lethlo Invoice 03 dated 22 May 2018 which was paid 24 July 2020. The invoice amounting to R218,666.73 was erroneously omitted in the WIP ledger in the prior years resulting in understatement of WIP by R218,667, Input VAT by R32,800 and Creditors by R251,467.

22. An adjustment of R999,787 was processed to IT equipment as a result of retrospective adjustment to useful lives and residual value, resulting in an increase in PPE and accumulated surpus by R999,787.

23. An adjustment of R711,133 was processed to Motor Vehicles as a result of retrospective adjustment to useful lives and residual value, resulting in an increase in PPE and accumulated surpus by R711,133.

24. An adjustment of R82,852 was processed to Intangible assets as a result of retrospective adjustment to useful lives and residual value, resulting in an increase in PPE and accumulated surpus by R82,852.

25. An adjustment of R1,597,298 was processed to Furniture and Fittingst as a result of retrospective adjustment to useful lives and residual value, resulting in an increase in PPE and accumulated surpus by R1,597,298.

26. An adjustment of R158,155 was processed to Office equipment as a result of retrospective adjustment to useful lives and residual value, resulting in an increase in PPE and accumulated surpus by R158,155.

27. The municipality recognised 6 community Halls that were previously omitted in the asset register becuase control and ownership could not be proven at the time of amalgation.The municipality has now proven control over the halls as it incurrs security and maintance costs. An cost adjustment of R13,082,045.69 and the Accumulated Depreciation of R2,737,367.02 was processed under community assets and the carrying amount of R10,334,678.67 was processed to accumulated surplus.

28. Lethlo Invoice 01 dated 28 July 2016 with the value of R485,100 was ommitted in the projects register at amalgamation of the minicipality. An adjustment of R425,526.32 was processed in WIP and Accumulated Surplus to recognise the ommitted invoice.

29.The municipality recognised Leboeng community Hall that was previously omitted in the asset register becuase control and ownership could not be proven at the time of amalgation.The municipality has now proven control over the hall as it incurrs security and maintance costs. A cost adjustment of R970,965 and the Accumulated Depreciation of R323,831 was processed under community assets and the carrying amount of R R647,134 was processed to accumulated surplus.

30. The costs incurred relating to the resurfacing of the top layer of roads was scrapped off in the asset register, resulting in an adjustment of R5,467,501 against accumulated surplus.

31. The municipality recognised road and stormwater rehabilitation costs of capital nature amounting to R36,567,570(Accumulated Depreciation-R2,365,587.20) which were previously recognised in the statement of comprehensive income as repairs and maintenance. The carrying amount of R34,201,983 was processed to accumulated surplus.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

49. Prior period errors (continued)

32. Restatement of Accumulated Depreciation for Burgersfort Stormwater(gtm/33/13/14) resuted in an decrease in PPE (infrastructure accumulated dereciation) of R58,363, 2019 depreciation by R17,111 and a decrease in accumullated surplus by R41253.

33. Land that was erroneously derecognised in the prior year was restated resulting in an increase in PPE (land) and accumulated surplus by R35,362,317.

34. Bathonohle Investments Certificate 1 information was not availed at the time of amalgamation of the two municipalities. The payment for this certificate was made before the amalgamation of the municipality at former Fetakgomo and was not carried forward to FTLM. An adjustment to Work in Progress amounting to R2,104,750 was made against Accumulated Surplus to recognise the ommitted invoice.

35. Infrastructure assets were adjusted with road and stormwater rehabilitation costs of capital nature amounting to R37,488.019(Accumulated Depreciation-R2,365,587.20) which was previously recognised in the statement of comprehensive income under repairs and maintenance. The carrying amount of R35,122,432.55 was processed to accumulated surplus.

36. An adjustment of R27,050,000 was processsed to recognise investment property omitted in the prior years resulting in an increse in investment property and fair vaue gains by R27,050,000.

37. A former intern was overpaid by R15,000 in 2019 resulting in overstatement of payroll costs and staff debtors by R15,000.

38. A prior year adjustment of R10,224,291 was processed to reinstate land that was incorrectly derecognised in prior year, resulting in an increase in land and accumulated surplus by R10,224,291.

39. FTKATOK MPCC CENTER and FTKMOHLALETSE MPCC are duplicated as they are both recorded in community asset register and Investment Property register. The multipurpose/netball/basketball court was duplicated in the community asset register. This resulted in overstatement odf asssets by R8,260,791, overstatement of accumulated deprectiation by 2,533,766 and 2091 deprectiation by R309,831.

40. In 2019 the incorrect Payday leave dayss report was used by the municipality to calculate the 2019 leave provision, resulting in the overstatement of leave provision and payroll costs by R176,826.

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

	2020	2019
Statement of financial position		
VAT Receivable	-	1 889 286
Receivables from exchange transactions	-	(162 865)
Receivables from non-exchange transactions	-	3 929 979
Consumer Debtors from exchange transactions	-	(2 392 637)
Consumer Debtors from non-exchange transactions	-	(13 718 475)
Cash and Cash Equivalents	-	31 293
Investment property	-	28 860 000
Property, Plant and Equipment	-	85 097 222
Intangible assets	-	114 752
Payables from exchange transactions	-	(9 394 038)
Provisions (Leave)	-	176 826
Unspent conditional grants and receipts	-	5 706 788
Provisions (Environmental rehabilitation)	-	3 825 160
Opening Accumulated Surplus or Deficit	-	(72 547 605)

Notes to the Annual Financial Statements

49. Prior period errors (continued)

Statement of financial performance

	2020	2019
Service charges	-	(239 697)
Rental of community offices and facilities	-	(28 635)
Rental Income	-	28 635
Other income	-	(3 830 263)
Rates received	-	(6 679 397)
Government grants and subsidies	-	(5 706 788)
Employee related costs	-	(191 826)
Depreciation and armotisation	-	2 183 915
Lease rentals on operating lease	-	50 806
Debt Impairment/	-	14 612 588
Contracted services	-	189 058
Transfers and subsidies	-	507 343
General expenses	-	(4 642 983)
Fair value adjustments	-	(27 290 000)

50. Prior-year adjustments

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

Statement of financial position

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions	10	5 953 959	(162 865)	-	5 791 094
Receivables from non-exchange transactions	11	532 355	-	3 929 653	4 462 008
VAT Receivable	12	9 060 294	1 889 286	-	10 949 580
Debt impairment Provision-Consumer Debtors from exchange transactions	13	(52 285 800)	(2 392 637)	-	(54 678 438)
Debt impairment Provision-Consumer Debtors from non-exchange transactions	13	(289 877 780)	(13 718 475)	-	(303 596 255)
Cash and Cash Equivalents	15	95 116 977	31 293	-	95 148 270
Investment property	3	15 320 000	28 860 000	-	44 180 000
Property, Plant and Equipment	4	2 189 193 027	85 097 222	-	2 274 290 250
Intangible assets	5	32 900	114 752	-	147 652
Payables from exchange transactions	19	(81 112 908)	(5 464 385)	(3 929 653)	(90 506 946)
Provisions (Leave)		(13 996 295)	176 826	-	(13 819 469)
Unspent conditional grants and receipts	16	(142 439 357)	5 706 788	-	(136 732 570)
Provisions (Environmental rehabilitation)	18	(16 365 808)	3 825 160	-	(12 540 648)
Accumulated Surplus	49	(2 048 676 088)	(72 547 605)	-	(2 121 223 693)
		(329 544 524)	**31 415 360**	**-**	**(298 129 165)**

Statement of financial performance

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

50. Prior-year adjustments (continued)

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Service charges	20	(21 525 370)	-	(239 697)	(21 765 067)
Rental of community offices and facilities	21	(322 432)	-	(28 635)	(351 067)
Other income	28	(7 734 098)	(4 069 960)	239 697	(11 564 361)
Rental Income		(28 635)	-	28 635	-
Rates received	30	(112 261 968)	(6 679 397)	-	(118 941 365)
Government grants and subsidies	32	(421 268 210)	(5 706 788)	-	(426 974 998)
Employee related costs	33	171 138 685	(191 826)	-	170 946 859
Depreciation and armotisation	35	116 921 366	2 183 915	-	119 105 281
Lease rentals on operating lease	26	18 906 821	50 806	-	18 957 627
Debt Impairment	38	66 841 555	14 612 588	-	81 454 143
Contracted services	40	83 524 253	(189 058)	-	83 335 196
Transfers and subsidies	31	7 347 511	507 343	-	7 854 854
General expenditure	41	52 011 441	(4 642 983)	-	47 368 458
Fair value adjustments	42	(1 060 000)	(27 290 000)	-	(28 350 000)
Surplus for the year		**(47 509 081)**	**(31 415 360)**	**-**	**(78 924 440)**

Reclassifications

The following reclassification adjustments occurred:

Service charges revenue incorrectly disclosed under Other Income

Revenue for May and June 2019 landfill usage of R239,697was processed in the incorrect revenue vote resulting in understatement of Service charges by R239,697 and overstatement of Other Income by the same amount.

Reclassifications between Employee related costs categories

Travel, motor car, subsistence and other allowances (Employee related costs) amounting to R62,664 were incorrectly disclosed under Telephone allowances (Employee related costs). Net overrall effect on the Employee related costs is RNil.

Telephone allowances (Employee related costs) amounting to R76,173 were incorrectly disclosed under Other short term costs (Employee related costs). Net overrall effect on the Employee related costs is RNil.

Standby allowance (Employee related costs) amounting to R647,827 were incorrectly disclosed under Basic salary costs (Employee related costs). Net overrall effect on the Employee related costs is RNil.

Reclassification between Contracted Services categories

Security and Other Contractors amounting to R20,000 were incorrectly disclosed under Specialist Services. Net overrall effect on the Contracted Services is RNil.

Reclassification 4

Other Debtors amounting to R3,929,653 were incorrectly disclosed under Other payables in the 2019 AFS, resulting in understatement of Other Debtors by R3,929,653 and overstatement of Other Payables by the same amount.

51. Risk management

Financial risk management

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

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

51. Risk management (continued)

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.

Credit risk

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

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

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

Financial instrument	**2020**	**2019**
Receivables from exchange transactions	172 006	5 791 094
Receivables from non-exchange transactions	5 762 045	4 462 007
Consumer debtors	66 930 253	68 653 787
Cash and cash equivalents	226 630 554	95 148 269

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.

52. Going concern

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

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continues to procure funding for the ongoing operations for the municipality. This was made possible due to the following:
1. Grants have been appropriated in the DORA in favour of the municipality, which will ensure operational sustainability of the municipality.
2. Funds have been ring-fenced for the unspent conditional grant liabilities and retention liability thus therefore the municipality will be able to discharge its financial obligations relating to these liabilties.
3. The appointment of full time CFO and Municipal Manager has resulted in a number of cost-cutting measures being implemented resulting in significant savings on the operational budget.
4. The municiality was granted approval for application of roll-over of unspent conditional grants for the 209/20 financial year amounting to R29,2 million in repect of the Municipal Infrastrucure Grant. These funds will enable the municipality to complete service delivery projects.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

53. Events after the reporting date

Disclose for each material category of non-adjusting events after the reporting date:

Adjusting post balance sheet events

1. Court Case between FM Maluleke Inc and Fetakgom Tubatse Local Municipality

- **Nature of the event**.
  The case against FM Maluleke Inc was finalised in favour of plaintiff. Judgement was passed on 30 July 2020 and the Municipality was ordered to pay the R878,494.15 judgement, and the interest of R262,283.33 from 10 November 2017.

- **Financial effect of Court Judgement against the Municipality**
  A liability of R878,494 was recognised in respect of the amount awarded t othe plaintiff. The interest cost of R262,283 was also recognised in the Statement of Financial Performance, and is included in the Fruitless and Wasteful Expenditure Disclosure Note on Note 57.

2. Court Case between Fetakgom Tubatse Local Municipality and SAMWU and 1 other
Nature of the event
The case against SAMWU and 1 other was finalised in favour of municipality and an award of R78,979.11 was granted, with the payment being made on 01 October 2020.

3 . Settlement of DBSA loan balance in full
The DBSA loan balance was repaid in full on 22 October 2020, therefore the amount outstanding as at 30 June 2020 of R9,182,069 that would have been the long-term portion of the loans is disclosed as current in the Statement of Finananial Position

4. Court Case between ON Mosoma and Fetakgom Tubatse Local Municipality
The case against O Mosoma was finalised in favour of plaintiff. Judgement was passed on 2 December 2020 and the Municipality was ordered to pay R2,230,113,27.

Non-Adjusting post balance sheet events

1. Sale of land and leasing out of Municipal properties
Council passed a resolution, Number SC12/2020, dated 25 September 2020, to recommence the process of leasing out Council properties in line with the Standard procedures of Council and the provisions of the MFMA Act (Act 56 of 2003).

Council also noted the ongoing processes by the Municipality ofinspecting/ and or identifying more properties (particularly in residential and busuness sites) and packaging them for possible recommendation for lease or disposal in line with the he Standard procedures of Council and the provisions of the MFMA Act (Act 56 of 2003).

Council authoried the Accounting Officer to mproceed wit the due processes in relation to the above in line with the Standard procedures of Council and the provisions of the MFMA Act (Act 56 of 2003).

2. Purchase of Municipal Building
Council passed a resolution, Number SC15/2020, dated 25 September 2020, to acquire the municipal building situated at Farm Mooifontein No. 313 KT farm owned by Tubatse Properties (PTY) LTD, at a consideration of R135,000,000 VAT inclusive. The repayment terms is 36 months with a deposit payabe of R50,000,000. The consideration will be paid in fixed instalments of R2,923,611.11 VAT inclusive.

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54. Unauthorised expenditure

Opening balance	**(86 269 499)**	**300 893 769**
Less: amount written off by council	-	(300 893 769)
Incurred during the year	(29 615 100)	(86 269 499)
Closing balance	**(115 884 599)**	**(86 269 499)**

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

54. Unauthorised expenditure (continued)

The 2020 unauthorised expenditure consists of non-cash items (Depreciation and armotisation R1,016,912, Debt impairment R24,638,522, Impairment loss R1,666,330, Loss on disposal of assets RR1,726,114, and Bad debts written off of R567,222).

55. Fruitless and wasteful expenditure

Opening balance	**31 874 531**	**37 075 817**
Incurred current year	10 415 133	5 345 448
Less: Amount written off	-	(10 546 734)
Closing balance	**42 289 664**	**31 874 531**

Notes to the Annual Financial Statements

Figures in Rand		2020	2019

55. Fruitless and wasteful expenditure (continued)

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings		
Telkom	Interest charge	5 559	-
Eskom	Interest charge	1 845	-
SARS	Penalty and interest due to reassessment for the period 202002	106 754	-
Balju Sheriff	Legal costs	534 454	-
Maluleka Inc	Interest cost	382 386	-
Kgaugelo Kaekae	Interest cost	104 848	-
Letlho Projects	Interest cost	380 267	-
Auditor General	Interest cost	1 458	-
Kipp Consulting	Reprinting of tender documents due to incorrect specs given by the municipality	80 168	-
Media 24 Limited	Readverts	10 649	-
CTP Ltd TA Lowveld Media	Readverts	19 916	-
Sekhukhune Times	Readverts	22 838	-
Hillsite	Interest cost	208 439	-
Lease of building	Rental payments above market-related rental as per AGSA finding	8 555 552	-
		10 415 133	**-**

Fruitless and wasteful expenditure in the period under review were identified after full review of all the expenditure in the current financial year to ensure all Fruitless and wasteful expenditure was identified.

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

56. Irregular expenditure

Opening balance as previously reported	469 420 742	193 694 565
Prior period error adjustment - 2018 financial year	-	63 642 172
Opening balance as restated	**469 420 742**	**257 336 737**
Add: Irregular Expenditure - current	137 461 108	146 691 663
Prior period error adjustment - 2019 casting error	-	(6 866 260)
Prior period error adjustment - 2019 financial year	-	263 667 006
Less: Amount written off per Council Resolution Number SC70/2019 - prior period	-	(191 408 404)
Closing balance	**606 881 850**	**469 420 742**

Current year Irregular Expenditure
Refer to Annexure 1 - Breakdown of 2020 Irregular Expenditure for a detailed breakdown of the irregular expenditure identified in the 2020 financial year and disclosure in terms of Section 125 (2)(d) of the MFMA.

Prior period error - Irregular Expenditure:
Included in the opening balance of irregular expenditure are prior year adjustments amounting to a total of R320,442,918 (2019: R256,800,746: 2018: R63,642,172).

2018 prior period errors
Refer to Annexure 2 – Breakdown of 2018 Prior Period Error Adjustments on Irregular Expenditure for a detailed breakdown of the prior period error adjustments made to the 2018 Irregular Expenditure balance, as well as disclosure in terms of in terms of Section 125 (2)(d) of the MFMA.

2019 prior period errors
Refer to Annexure 3 – Breakdown of 2019 Prior Period Error Adjustments on Irregular Expenditure for a detailed breakdown of the prior period error adjustments made to the 2019 Irregular Expenditure balance, as well as disclosure in terms of in terms of Section 125 (2)(d) of the MFMA.

57. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	12 750 180	6 416 084
Current year subscription / fee	5 627 874	8 978 598
Amount paid - previous years	(8 978 598)	(2 644 502)
	9 399 456	**12 750 180**

SALGA Fees

Current year subscription / fee	1 556 604	2 011 579
Amount paid - current year	(1 556 604)	(2 011 579)
	-	-

PAYE and UIF

Current year expenditure	32 800 050	28 860 610
Amount paid - current year	(32 800 050)	(28 860 610)
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2020	2019

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

Pension and Medical Aid Deductions

Current year expenditure	31 168 434	30 341 776
Amount paid - current year	(31 168 434)	(30 341 776)
	-	-

VAT

VAT receivable	10 629 830	10 949 580

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

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

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding on 30 June 2020:

30 June 2020	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor MP Makine	12 714	-	12 714
Councillor IT Makofane	47 992	-	47 992
Councillor RS Mamekoa	14 963	-	14 963
Councillor E Maile	3 576	-	3 576
Councillor MJ Phokane	904	-	904
	80 149	**-**	**80 149**

Supply chain management regulations - Deviations

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

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

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

Incident		
Emergency Expenditure	534 630	103 341
Sole Suppliers	202 831	627 835
Exceptional Expenditure	3 290 388	150 573
	4 027 849	**881 749**

A detailed breakdown of the Deviations from supply chain management regulations is contained in **Annexure 1 - Deviations from supply chain management regulations.**

* See Note 50 & 49