Polokwane Municipality
Consolidated Annual Financial Statements
for the year ended 30 June 2019

General Information

Legal form of entity	The City of Polokwane is a category B local authority established in terms of section 151 of the Constitution of the Republic of South Africa (Act 108 of 1996)
Executive Mayor	TP Nkadimeng
Mayoral committee	
	MJ Ralefatane
	MK Teffo
	RC Molepo
	NW Kganyago
	MF Kubjana
	H Shaikh
	LR Setati
	SM Mashabela
	T Nkwe
	EL Maraba
	MJ Maja
	SJ Malope
Councillors	AR Baloyi
	AH Botha
	TDR Chidi
	C Coetzee
	SJ Dikgale
	FA Haas
	PJ Hiine
	TE Hopane
	FJ Joubert
	MJ Kaka
	N Khan
	MW Laka
	MV Ledwaba
	NJ Lekgodi
	Z Lekgodi
	LF Lephalala
	RF Lourens
	MG Mabote
	NE Machaba
	MF Maenetja
	ME Makamela
	TP Makgopja
	JF Makwela
	ME Malatji
	MB Malebana
	ME Maleka
	RR Malema
	HS Manaka
	PE Manamela
	HM Mankga
	HF Marx
	AM Masekela

General Information

	TS Mashau
	MC Mashaine
	MV Mathye
	MT Matonzi
	ML Mehlape
	JL Meyer
	MA Moakamedi
	MT Modiba
	MS Modiba
	TF Moeti
	TJ Mogale
	DM Mohlabeng
	MF Mohlasedi
	RP Mohlaona
	TSP Mojapelo
	FJ Molepo
	MB Molope
	PE Moshoeu
	MS Mothapo
	ME Mothapo
	JE Mothapo
	ML Mothata
	LS Mothata
	MJ Mothiba
	KJ Mphekgwana
	TG Phaka
	MR Phala
	MS Phosoko
	KW Phosoko
	M Pretorius
	MM Ramakgoakgoa
	MF Ramaphakela
	MO Ramaphoko
	PA Rapetswa
	TR Raphela
	MW Sathekge
	MD Sebati
	MR Sekgobela
	MP Seleka
	MC Sesera
	NA Shivhabu
	KM Skosana
	KG Tsheola
	MM Tsiri
	K Vallabh
Grading of local authority	Grade 10
Chief Finance Officer (CFO)	N Essa
Accounting Officer	DH Makobe

General Information

Auditors	Auditor General of South Africa Registered Auditors
Attorneys	Pule Incorporated Mogaswa Attorneys AM Carrims Attorneys Maboku Mangena Attorneys Kgatla Incorporated Matabane Incorporated Noko Maimela Incorporated Rachoene Attorneys
Level of assurance	These annual financial statements have been compiled with the applicable requirements of the Municipal Finance Management Act 56 of 2003..
Published	30 November 2019
Members of the Audit and Performance Audit Committee	
	Mr HG Hlomane Adv. HSRR Nke Mr R Tshimomola Ms MP Ramutsheli Mr BW Mbewu

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

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of Southern 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
CIGFARO	Chartered Institute of Government Finance Audit and Risk 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 consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the consolidated 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 consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The consolidated 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 consolidated 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 economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity’s business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity 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 consolidated 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 economic entity’s cash flow forecast for the 30 June 2019 to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the economic entity 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 economic entity's consolidated annual financial statements. The consolidated annual financial statements have been examined by the economic entity's external auditors and their report is presented on page 6.

The consolidated annual financial statements set out on pages 6 to 104, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2019.

DH Makobe
Municipal Manager

Statement of Financial Position as at 30 June 2019

		Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R	R	R	R
Assets					
Current Assets					
Cash and cash equivalents	3	150 495 273	4 526 280	128 045 871	2 042 879
Other financial assets	4	57 829 129	112 501 102	57 829 129	112 501 102
Receivables from exchange	5	291 303 193	310 117 983	291 303 193	310 117 983
Other receivables from exchange transactions	6	11 192 533	18 487 947	10 182 738	17 032 600
Receivables from non-exchange transactions	7	388 532 686	302 324 732	388 505 989	302 215 229
Inventories	8	149 654 529	164 334 103	149 654 529	164 334 103
VAT	9	33 379 556	58 253 018	33 379 556	58 253 018
Prepayments		31 226 672	12 616	31 224 132	-
		1 113 613 571	**970 557 781**	**1 090 125 137**	**966 496 914**
Non-Current Assets					
Investment property	10	749 428 236	724 131 490	749 428 236	724 131 490
Property, plant and equipment	11	13 217 537 912	12 739 438 864	13 094 801 866	12 640 415 770
Biological assets that form part of an agricultural activity	12	4 732 398	11 833 140	4 732 398	11 833 140
Heritage assets	13	21 899 818	21 899 818	21 899 818	21 899 818
Intangible assets	14	35 488 677	11 511 472	35 401 467	11 410 637
Investments in controlled entities	15	-	-	1 000	1 000
Other receivables from exchange transactions	6	144 352	144 352	144 352	144 352
		14 029 231 393	**13 508 959 136**	**13 906 409 137**	**13 409 836 207**
Total Assets		**15 142 844 964**	**14 479 516 917**	**14 996 534 274**	**14 376 333 121**
Liabilities					
Current Liabilities					
Consumer deposits	16	73 101 634	72 407 104	73 101 634	72 407 104
Payables from exchange transactions	17	981 232 018	610 528 895	952 791 871	607 929 440
Long term loans - current portion	18	56 527 527	48 436 796	56 527 527	48 436 796
Unspent conditional grants and receipts	19	117 241 045	153 471 903	117 241 045	153 471 903
Finance lease obligation	20	10 254 164	2 872 234	10 254 164	2 872 234
Provisions	21	9 087 150	8 926 688	8 177 041	8 177 041
		1 247 443 538	**896 643 620**	**1 218 093 282**	**893 294 518**
Non-Current Liabilities					
Long term loans	18	466 051 071	512 977 719	466 051 071	512 977 719
Finance lease obligation	20	24 508 643	3 961 712	24 508 643	3 961 712
Provisions	21	174 284 431	127 531 764	174 284 431	127 531 764
Employee benefit obligation	22	193 906 000	163 547 000	193 906 000	163 547 000
		858 750 145	**808 018 195**	**858 750 145**	**808 018 195**
Total Liabilities		**2 106 193 683**	**1 704 661 815**	**2 076 843 427**	**1 701 312 713**
Net Assets		**13 036 651 281**	**12 774 855 102**	**12 919 690 847**	**12 675 020 408**

* See Note 50

Statement of Financial Position as at 30 June 2019

		Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R	R	R	R
Reserves					
Revaluation reserve	23	7 502 855 131	7 501 673 838	7 424 537 335	7 426 020 555
Accumulated surplus		5 533 796 144	5 273 181 270	5 495 153 507	5 248 999 866
Total Net Assets		**13 036 651 275**	**12 774 855 108**	**12 919 690 842**	**12 675 020 421**

* See Note 50

Statement of Financial Performance

		Economic entity		Controlling entity	
	Note(s)	2019 R	2018 Restated* R	2019 R	2018 Restated* R
Revenue					
Revenue from exchange transactions					
Service charges	24	1 386 291 118	1 357 442 059	1 386 291 118	1 357 442 059
Rental of facilities and equipment	25	24 634 893	25 698 980	14 879 613	15 730 400
Interest received (trading)	31	64 961 794	77 045 047	64 961 794	77 045 047
Agency services	26	25 915 326	19 207 957	23 975 254	17 345 085
Licences and permits	27	7 634 137	11 251 033	7 634 137	11 251 033
Other income	28	18 566 877	20 334 865	18 566 724	20 334 043
Interest received - investment	29	13 123 882	29 508 512	13 123 882	29 508 512
Total revenue from exchange transactions		**1 541 128 027**	**1 540 488 453**	**1 529 432 522**	**1 528 656 179**
Revenue from non-exchange transactions					
Taxation revenue					
Property rates	30	416 142 286	360 161 269	416 142 286	360 161 269
Transfer revenue					
Government grants & subsidies	32	2 060 771 610	1 486 153 995	2 040 214 312	1 486 153 995
Public contributions and donations	33	30 403 347	1 036 482	30 403 347	1 036 482
Fines, Penalties and Forfeits	34	31 227 237	21 125 818	31 227 237	21 125 818
Total revenue from non-exchange transactions		**2 538 544 480**	**1 868 477 564**	**2 517 987 182**	**1 868 477 564**
Total revenue		**4 079 672 507**	**3 408 966 017**	**4 047 419 704**	**3 397 133 743**
Expenditure					
Employee related costs	35	(863 037 147)	(768 252 948)	(854 607 710)	(760 435 724)
Remuneration of councillors	36	(37 955 256)	(36 190 111)	(37 955 256)	(36 190 111)
Depreciation and amortisation	37	(681 734 892)	(788 456 874)	(677 042 225)	(783 746 603)
Finance costs	38	(72 228 885)	(63 644 818)	(72 228 885)	(63 644 729)
Lease rentals on operating lease	65	(52 798)	(39 716)	-	-
Debt Impairment		(225 720 267)	(159 957 863)	(216 987 976)	(151 266 404)
Bulk purchases	39	(810 741 840)	(802 365 370)	(810 741 840)	(802 365 370)
Contracted services	40	(758 652 278)	(750 127 721)	(742 307 211)	(726 312 461)
Transfers and Subsidies	41	(480 000)	(479 750)	(24 664 032)	(33 052 833)
Sale of goods/Inventory		(123 274 076)	(93 472 150)	(123 274 076)	(93 472 150)
General Expenses	43	(250 667 581)	(256 431 089)	(246 960 929)	(252 635 960)
Total expenditure		**(3 824 545 020)**	**(3 719 418 410)**	**(3 806 770 140)**	**(3 703 122 345)**
Operating surplus (deficit)	63	**255 127 487**	**(310 452 393)**	**240 649 564**	**(305 988 602)**
(Loss) gain on disposal of assets and liabilities	47	(6 648 046)	10 301 214	(6 648 046)	10 301 214
Fair value adjustments	44	15 734 820	4 467 587	15 734 820	4 467 587
Impairment loss	45	(3 557 159)	(4 872 999)	(3 540 467)	(4 853 363)
Inventories losses/write-downs	48	(42 214)	(12 957 340)	(42 214)	(12 957 340)
		5 487 401	**(3 061 538)**	**5 504 093**	**(3 041 902)**
Surplus (deficit) for the year		**260 614 888**	**(313 513 931)**	**246 153 657**	**(309 030 504)**

* See Note 50

Statement of Changes in Net Assets

	Revaluation reserve R	Accumulated surplus R	Total net assets R
Economic entity			
Opening balance as previously reported	7 501 673 838	6 397 568 951	13 899 242 789
Adjustments			
Correction of errors	-	(810 873 750)	(810 873 750)
Balance at 01 July 2017 as restated*	**7 501 673 838**	**5 586 695 201**	**13 088 369 039**
Changes in net assets			
Surplus for the year	-	(313 513 931)	(313 513 931)
Total changes	-	(313 513 931)	(313 513 931)
Restated* Balance at 01 July 2018	**7 501 673 838**	**5 273 181 256**	**12 774 855 094**
Changes in net assets			
Revaluation of non current assets	1 181 293	-	1 181 293
Net income (losses) recognised directly in net assets	1 181 293	-	1 181 293
Surplus for the year	-	260 614 888	260 614 888
Total recognised income and expenses for the year	1 181 293	260 614 888	261 796 181
Total changes	1 181 293	260 614 888	261 796 181
Balance at 30 June 2019	**7 502 855 131**	**5 533 796 144**	**13 036 651 275**
Note(s)	23		
Controlling entity			
Opening balance as previously reported	7 426 020 555	6 368 904 120	13 794 924 675
Adjustments			
Correction of errors	-	(810 873 750)	(810 873 750)
Balance at 01 July 2017 as restated*	**7 426 020 555**	**5 558 030 370**	**12 984 050 925**
Changes in net assets			
Surplus for the year	-	(309 030 504)	(309 030 504)
Total changes	-	(309 030 504)	(309 030 504)
Restated* Balance at 01 July 2018	**7 426 020 555**	**5 248 999 850**	**12 675 020 405**
Changes in net assets			
Revaluation of non current assets	(1 483 220)	-	(1 483 220)
Net income (losses) recognised directly in net assets	(1 483 220)	-	(1 483 220)
Surplus for the year	-	246 153 657	246 153 657
Total recognised income and expenses for the year	(1 483 220)	246 153 657	244 670 437
Total changes	(1 483 220)	246 153 657	244 670 437
Balance at 30 June 2019	**7 424 537 335**	**5 495 153 507**	**12 919 690 842**
Note(s)	23		

* See Note 50

Cash Flow Statement

		Economic entity		Controlling entity	
		2019	2018 Restated*	2019	2018 Restated*
	Note(s)	R	R	R	R
Cash flows from operating activities					
Receipts					
Cash received from customers, government and others		3 797 380 223	3 180 147 989	3 765 381 277	3 167 238 168
Interest income		13 123 882	29 508 512	13 123 882	29 508 512
		3 810 504 105	3 209 656 501	3 778 505 159	3 196 746 680
Payments					
Cash paid to suppliers and employees		(2 470 616 961)	(2 616 067 292)	(2 484 328 193)	(2 603 920 761)
Finance costs		(72 228 885)	(63 644 729)	(72 228 885)	(63 644 729)
		(2 542 845 846)	(2 679 712 021)	(2 556 557 078)	(2 667 565 490)
Net cash flows from operating activities	49	**1 267 658 259**	**529 944 480**	**1 221 948 081**	**529 181 190**
Cash flows from investing activities					
Purchase of property, plant and equipment	11	(1 102 279 403)	(881 983 979)	(1 076 535 229)	(881 983 979)
Proceeds from sale of investment property	10	-	793 523	-	793 523
Purchase of other intangible assets	14	(25 667 422)	(9 077 200)	(25 667 422)	(9 077 200)
Purchase of financial assets		(64 200 000)	-	(64 200 000)	-
(Increase)/decrease in current investment		116 410 788	137 977 796	116 410 788	137 977 796
Net cash flows from investing activities		**(1 075 736 037)**	**(752 289 860)**	**(1 049 991 863)**	**(752 289 860)**
Cash flows from financing activities					
Proceeds from long term loans		-	155 037 705	-	155 037 705
Repayment of long term loans		(38 835 917)	-	(38 835 917)	-
Finance lease payments		(7 094 854)	(27 937 533)	(7 094 854)	(27 924 886)
Net cash flows from financing activities		**(45 930 771)**	**127 100 172**	**(45 930 771)**	**127 112 819**
Net increase/(decrease) in cash and cash equivalents		**145 991 451**	**(95 245 208)**	**126 025 447**	**(95 995 851)**
Cash and cash equivalents at the beginning of the year		4 526 280	99 770 751	2 042 879	98 037 995
Cash and cash equivalents at the end of the year	3	**150 517 731**	**4 525 543**	**128 068 326**	**2 042 144**

* See Note 50

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Economic entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 518 870 000	55 847 000	**1 574 717 000**	1 386 291 118	**(188 425 882)**	
Rental of facilities and equipment	47 815 480	(845 720)	**46 969 760**	24 634 893	**(22 334 867)**	
Interest received (trading)	80 000 000	-	**80 000 000**	64 961 794	**(15 038 206)**	
Agency services	27 021 877	(21 877)	**27 000 000**	25 915 326	**(1 084 674)**	
Licences and permits	14 890 000	-	**14 890 000**	7 634 137	**(7 255 863)**	
Other income - (rollup)	424 952 800	(25 333 504)	**399 619 296**	18 566 877	**(381 052 419)**	
Interest received - investment	47 281 000	(20 000 000)	**27 281 000**	13 123 882	**(14 157 118)**	
Total revenue from exchange transactions	**2 160 831 157**	**9 645 899**	**2 170 477 056**	**1 541 128 027**	**(629 349 029)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	461 484 000	(29 666 000)	**431 818 000**	416 142 286	**(15 675 714)**	
Transfer revenue						
Government grants & subsidies	1 818 245 000	346 751 605	**2 164 996 605**	2 084 955 642	**(80 040 963)**	
Public contributions and donations	14 400 000	(13 000 000)	**1 400 000**	30 403 347	**29 003 347**	
Fines, Penalties and Forfeits	16 000 000	-	**16 000 000**	31 227 237	**15 227 237**	
Total revenue from non-exchange transactions	**2 310 129 000**	**304 085 605**	**2 614 214 605**	**2 562 728 512**	**(51 486 093)**	
Total revenue	**4 470 960 157**	**313 731 504**	**4 784 691 661**	**4 103 856 539**	**(680 835 122)**	
Expenditure						
Personnel	(827 415 173)	(50 821 243)	**(878 236 416)**	(863 037 147)	**15 199 269**	
Remuneration of councillors	(40 518 000)	2 561 195	**(37 956 805)**	(37 955 256)	**1 549**	
Depreciation and amortisation	(194 800 000)	(50 460 106)	**(245 260 106)**	(681 734 892)	**(436 474 786)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(3 557 159)	**(3 557 159)**	
Finance costs	(107 500 000)	35 243 698	**(72 256 302)**	(72 228 885)	**27 417**	
Lease rentals on operating lease	(180 000)	80 000	**(100 000)**	(52 798)	**47 202**	
Debt Impairment	(239 000 000)	82 893 227	**(156 106 773)**	(225 720 267)	**(69 613 494)**	
Bulk purchases	(905 497 000)	94 755 160	**(810 741 840)**	(810 741 840)	**-**	
Contracted Services	(797 125 000)	(60 901 543)	**(858 026 543)**	(758 652 278)	**99 374 265**	
Transfers and Subsidies	(500 000)	-	**(500 000)**	(480 000)	**20 000**	
Sale of goods/Inventory	(37 666 000)	(85 608 076)	**(123 274 076)**	(123 274 076)	**-**	
General Expenses	(212 916 709)	(42 856 252)	**(255 772 961)**	(250 667 581)	**5 105 380**	
Total expenditure	**(3 363 117 882)**	**(75 113 940)**	**(3 438 231 822)**	**(3 828 102 179)**	**(389 870 357)**	
Operating surplus	**1 107 842 275**	**238 617 564**	**1 346 459 839**	**275 754 360**	**(1 070 705 479)**	
Loss on disposal of assets and liabilities	(100)	-	**(100)**	(6 648 046)	**(6 647 946)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Fair value adjustments	-	-	**-**	15 734 820	**15 734 820**	
Inventories losses/write-downs	-	-	**-**	(42 214)	**(42 214)**	
	(100)	**-**	**(100)**	**9 044 560**	**9 044 660**	
Surplus before taxation	**1 107 842 175**	**238 617 564**	**1 346 459 739**	**284 798 920**	**(1 061 660 819)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 107 842 175**	**238 617 564**	**1 346 459 739**	**284 798 920**	**(1 061 660 819)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Controlling entity						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 518 870 000	55 847 000	**1 574 717 000**	1 386 291 118	**(188 425 882)**	
Rental of facilities and equipment	37 297 000	-	**37 297 000**	14 879 613	**(22 417 387)**	
Interest received (trading)	80 000 000	-	**80 000 000**	64 961 794	**(15 038 206)**	
Agency services	25 000 000	-	**25 000 000**	23 975 254	**(1 024 746)**	
Licences and permits	14 890 000	-	**14 890 000**	7 634 137	**(7 255 863)**	
Other income - (rollup)	424 952 000	(25 333 004)	**399 618 996**	18 566 724	**(381 052 272)**	
Interest received - investment	47 281 000	(20 000 000)	**27 281 000**	13 123 882	**(14 157 118)**	
Total revenue from exchange transactions	**2 148 290 000**	**10 513 996**	**2 158 803 996**	**1 529 432 522**	**(629 371 474)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	461 484 000	(29 666 000)	**431 818 000**	416 142 286	**(15 675 714)**	
Transfer revenue						
Government grants & subsidies	1 807 245 000	346 751 605	**2 153 996 605**	2 040 214 312	**(113 782 293)**	
Public contributions and donations	14 400 000	(13 000 000)	**1 400 000**	30 403 347	**29 003 347**	
Fines, Penalties and Forfeits	16 000 000	-	**16 000 000**	31 227 237	**15 227 237**	
Total revenue from non-exchange transactions	**2 299 129 000**	**304 085 605**	**2 603 214 605**	**2 517 987 182**	**(85 227 423)**	
Total revenue	**4 447 419 000**	**314 599 601**	**4 762 018 601**	**4 047 419 704**	**(714 598 897)**	
Expenditure						
Personnel	(817 423 000)	(50 621 658)	**(868 044 658)**	(854 607 710)	**13 436 948**	
Remuneration of councillors	(40 518 000)	2 561 195	**(37 956 805)**	(37 955 256)	**1 549**	
Depreciation and amortisation	(190 000 000)	(50 460 106)	**(240 460 106)**	(677 042 225)	**(436 582 119)**	
Impairment loss/ Reversal of impairments	-	-	**-**	(3 540 467)	**(3 540 467)**	
Finance costs	(107 500 000)	35 243 698	**(72 256 302)**	(72 228 885)	**27 417**	
Debt Impairment	(235 000 000)	82 893 227	**(152 106 773)**	(216 987 976)	**(64 881 203)**	
Bulk purchases	(905 497 000)	94 755 160	**(810 741 840)**	(810 741 840)	**-**	
Contracted Services	(796 325 000)	(60 901 543)	**(857 226 543)**	(742 307 211)	**114 919 332**	
Transfers and Subsidies	(11 500 000)	-	**(11 500 000)**	(24 664 032)	**(13 164 032)**	
Sale of goods/Inventory	(37 666 000)	(85 608 076)	**(123 274 076)**	(123 274 076)	**-**	
General Expenses	(207 260 000)	(42 536 492)	**(249 796 492)**	(246 960 929)	**2 835 563**	
Total expenditure	**(3 348 689 000)**	**(74 674 595)**	**(3 423 363 595)**	**(3 810 310 607)**	**(386 947 012)**	
Operating surplus	**1 098 730 000**	**239 925 006**	**1 338 655 006**	**237 109 097**	**(1 101 545 909)**	
Loss on disposal of assets and liabilities	(100)	-	**(100)**	(6 648 046)	**(6 647 946)**	
Fair value adjustments	-	-	**-**	15 734 820	**15 734 820**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Inventories losses/write-downs	-	-	**-**	(42 214)	**(42 214)**	
	(100)	**-**	**(100)**	**9 044 560**	**9 044 660**	
Surplus before taxation	**1 098 729 900**	**239 925 006**	**1 338 654 906**	**246 153 657**	**(1 092 501 249)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**1 098 729 900**	**239 925 006**	**1 338 654 906**	**246 153 657**	**(1 092 501 249)**	

Accounting Policies

1. Presentation of Consolidated Annual Financial Statements

The consolidated 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 consolidated 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.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Materiality

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

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

1.4 Consolidation

Basis of consolidation

Consolidated annual financial statements are the consolidated annual financial statements of the economic entity presented as those of a single entity.

The consolidated annual financial statements incorporate the consolidated annual financial statements of the controlling entity and all controlled entity, including special purpose entities, which are controlled by the controlling entity.

Consolidated annual financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Control exists when the controlling entity has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The revenue and expenses of a controlled entity are included in the consolidated annual financial statements from the transfer date or acquisition date as defined in the Standards of GRAP on Transfer of functions between entities under common control or Transfer of functions between entities not under common control. The revenue and expenses of the controlled entity are based on the values of the assets and liabilities recognised in the controlling entity's consolidated annual financial statements at the acquisition date.

The consolidated annual financial statements of the controlling entity and its controlled entities used in the preparation of the consolidated annual financial statements are prepared as of the same date.

Accounting Policies

1.4 Consolidation (continued)

When the end of the reporting dates of the controlling entity is different from that of a controlled entity, the controlled entity prepares, for consolidation purposes, additional consolidated annual financial statements as of the same date as the consolidated annual financial statements of the controlling entity unless it is impracticable to do so. When the consolidated annual financial statements of a controlled entity used in the preparation of consolidated annual financial statements are prepared as of a date different from that of the controlling entity, adjustments are made for the effects of significant transactions or events that occur between that date and the date of the controlling entity’s consolidated annual financial statements. In any case, the difference between the end of the reporting date of the controlled entity and that of the controlling entity is no more than three months. The length of the reporting periods and any difference between the ends of the reporting dates is the same from period to period.

Adjustments are made when necessary to the consolidated annual financial statements of the controlled entities to bring their accounting policies in line with those of the controlling entity.

All intra-entity transactions, balances, revenues and expenses are eliminated in full on consolidation.

Non-controlling interest in the net assets of the economic entity is identified and recognised separately from the controlling entity's interest therein, and are recognised within net assets.

Changes in a controlling entity's ownership interest in a controlled entity that do not result in a loss of control are accounted for as transactions that affect net assets.

A Special purpose entity is consolidated when the substance of the relationship between the economic entity and the Special purpose entity indicates that the Special purpose entity is controlled by the economic entity.

1.5 Significant judgements and sources of estimation uncertainty

In preparing the consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the consolidated 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 consolidated annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

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

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

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

The economic entity has identified all its captial assets excluding Investment Property, as non-cash generating assets as it is the municipality's view that the primary objective of these assets are to provide a service and not to generate a commercial return. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors together with economic factors..

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 21 - Provisions.

Post-retirement benefits

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

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 22.

Effective interest rate

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

Allowance for doubtful debts

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

Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Residual value

The estimated value of an asset at the end of its useful life, or the value that remains at the end of the analysis period where the asset useful life exceed the analysis period. The residual value is considered as a benefit (cash inflow) in the final year of the analysis period.

1.5 Significant judgements and sources of estimation uncertainty (continued)

Revenue-estimation meter readings

Where meter readings are not available meter readings are estimated as follows:

i) where the readings are not available other than as a result of a meter fault, estimations are done by using the consumption of the reading of the same period of the preceding year, or an average of any consecutive two months.

ii) where Council or the owner are of the opinion that the meter is faulty, such a meter must be replaced and sent for testing. The results of the testing of a meter will determine the correction of the account as prescribed in the respective year's Tariff of Charges Policy.

1.6 Biological assets that form part of an agricultural activity

The entity recognises biological assets or agricultural produce when, and only when:
- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the economic entity; and
- the fair value or cost of the asset can be measured reliably.

Biological assets are measured at their fair value less costs to sell.

The fair value of livestock is determined based on market prices of livestock of similar age, breed, and genetic merit.

A gain or loss arising on initial recognition of biological assets or agricultural produce at fair value less costs to sell and from a change in fair value less costs to sell of biological assets is included in surplus or deficit for the period in which it arises.

Where market determined prices or values are not available, the present value of the expected net cash inflows from the asset, discounted at a current market-determined pre-tax rate where applicable is used to determine fair value.

An unconditional government grant related to biological assets measured at its fair value less costs to sell is recognised as income when the government grant becomes receivable.

Where fair value cannot be measured reliably, biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on biological assets where fair value cannot be determined, to write down the cost, less residual value, by equal instalments over their useful lives as follows:

1.7 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 economic entity, 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.

1.7 Investment property (continued)

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.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to and or from investment property only when there is a change in use. For a transfer from invesment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Fair value

Subsequent to initial measurement investment property is measured at fair value. This entails determining the fair value of the investment property on a regular basis. To the extent that the fair value model is applied investment property is not depreciated.

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.

Derecognition

An investment property is derecognised when there is a disposal or no future economic benefits or service potential are to be derived from the property. All gains or losses, which result from the derecognition, are recognised in the Statement of Financial Performance.

1.8 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 economic entity; 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.

Accounting Policies

1.8 Property, plant and equipment (continued)

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.

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 is carried at cost less accumulated depreciation and any impairment losses except for land, community assets and infrastructure assets which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Land is not depreciated and is deemed to have indefinite useful life.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset’s carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset’s carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. 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 asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset. If a revaluation is necessary, all assets of that class are revalued.

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

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

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

Item	Depreciation method	Average useful life

Accounting Policies

1.8 Property, plant and equipment (continued)

Land	Straight line	Infinite
Office equipment	Straight line	3 - 10 years
IT equipment	Straight line	3 - 7 years
Infrastructure	Straight line	3 - 100 years
Community	Straight line	5 - 100 years
Other property, plant and equipment	Straight line	2 - 15 years

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

The economic entity assesses at each reporting date whether there is any indication that the economic entity 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 economic entity 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 economic entity 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.

In assessing whether there is any indication that the expected useful life of an asset has changed, an entity considers the following indications

- The composition of as asset has changed during the reporting period, that is, the significant components of the asset changed.

1.9 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 economic entity 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.

Intangible assets are initially recognised at cost

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

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 economic entity; and
- the cost or fair value of the asset can be measured reliably.

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

1.9 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:

Item	Depreciation method	Average useful life
Computer software, internally generated	Straight line	3 - 5 years
Computer software, other	Straight line	3 - 5 years

Amortisation begins when the asset is available for use.

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

1.10 Heritage assets

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

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 economic entity’s operations that is shown as a single item for the purpose of disclosure in the consolidated 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.

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

1.10 Heritage assets (continued)

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 economic entity 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.

Recognition

The economic entity 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 economic entity, 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.

Derecognition

The economic entity 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).

1.11 Investments in controlled entities

Controlling entity consolidated annual financial statements

In the municipality's separate consolidated annual financial statements, investments in controlled entities are carried at cost.

Investments in controlled entities that are accounted for in accordance with the accounting policy on Financial instruments in the consolidated annual financial statements, are accounted for in the same way in the controlling entity's separate consolidated annual financial statements.

1.12 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).

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

1.12 Financial instruments (continued)

- 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:

- 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;

1.12 Financial instruments (continued)

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

Class	**Category**
Receivables	Financial asset measured at amortised cost
Cash and bank	Financial asset measured at cost
Investments	Financial asset measured at fair value

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**
Borrowings	Financial liability measured at amortised cost
Payables	Financial liability measured at cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

The municipality 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 municipality 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.

1.12 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

1.12 Financial instruments (continued)

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

1.12 Financial instruments (continued)

Derecognition

Financial assets

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

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

If the municipality 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 recognises 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 municipality 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 municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality 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 municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

1.12 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 municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

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

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

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the municipality currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the municipality does not offset the transferred asset and the associated liability.

1.13 Consumer Deposits

The municipality recognises consumer deposits as a current liability when the municipality becomes a party to the contract i.e. when the deposit is made. The consumer deposit is recognised as a liability as the municipality has an obligation to pay the money back to the consumer once the consumer account is closed. As the timing of when a consumer will close their account is unknown, the consumer deposits are classified as a current liability.

1.14 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessor

The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. The liability is not discounted.

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

Income for leases is disclosed under revenue in statement of financial performance.

1.14 Leases (continued)

Operating leases - lessee

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

1.15 Inventories

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

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

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

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

Current replacement cost is the cost the economic entity 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.

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.

1.16 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

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

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

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

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 of its fair value less costs to sell and its value in use.

Useful life is either:

1.16 Impairment of cash-generating assets (continued)

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the statement of financial performance in the period the impairment is recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the statement of financial performance.

Designation

At initial recognition, the economic entity 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 an economic entity's objective of using the asset.

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

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

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

Identification

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

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

1.16 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

The economic entity 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.

Redesignation

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

1.17 Impairment of non-cash-generating assets

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

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

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

Restoration cost approach

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

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.18 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an economic entity after deducting all of its liabilities.

1.19 Employee benefits

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

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

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

Termination benefits are employee benefits payable as a result of either:

- an municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

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

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

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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

Accounting Policies

1.19 Employee benefits (continued)

Short-term employee benefits

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

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

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality 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 recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

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

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

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

1.19 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

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

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

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

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.

Accounting Policies

1.19 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:
- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measures the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

1.19 Employee benefits (continued)

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

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

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

1.19 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

1.20 Provisions and contingencies

Provisions are recognised when:
- the economic entity 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 economic entity 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.

1.20 Provisions and contingencies (continued)

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.
- 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.

1.21 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.

1.22 Revenue from exchange transactions

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

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

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

Measurement

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

1.22 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity 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 economic entity; 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 economic entity;
- 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 a variety of methods. Depending on the nature of the transaction, the methods may include:
- surveys of work performed;
- services performed to date as a percentage of total services to be performed;
- the proportion that costs incurred to date bear to the estimated total costs of the transaction. Only costs that reflect services performed to date are included in costs incurred to date. Only costs that reflect services performed or to be performed are included in the estimated total costs of the transaction.

Interest, royalties and dividends

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.

1.23 Revenue from non-exchange transactions

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

Accounting Policies

1.23 Revenue from non-exchange transactions (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, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

1.23 Revenue from non-exchange transactions (continued)

Transfers

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

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

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

Fines

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

Assets arising from fines are measured at 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.

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.

Gifts and donations, including goods in-kind

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

1.24 Unspent Conditional Grants

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 where the obligations have not been met, a liability is recognised.

1.25 Additional Note

1.26 Investment income

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

1.27 Borrowing costs

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

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use of sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the economic entity, and the costs can be measured reliably. The economic entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the economic entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

Accounting Policies

1.27 Borrowing costs (continued)

The capitalisation of borrowing costs commences when all the following conditions have been met:
- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.17, 1.15 and 1.16. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the economic entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the economic entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.28 Comparative figures

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

1.29 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.

1.30 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.

1.31 Irregular expenditure

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

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

Accounting Policies

1.31 Irregular expenditure (continued)

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

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

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

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

1.32 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.33 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.34 Segment information

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

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

1.34 Segment information (continued)

Measurement

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

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

1.35 Budget information

Economic Entity 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 economic entity 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 2018/07/01 to 2019/06/30.

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

The consolidated 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.

1.36 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the economic entity, including those charged with the governance of the economic entity 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 economic entity.

Accounting Policies

1.36 Related parties (continued)

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

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

1.37 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 economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity 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.

Notes to the Consolidated Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the economic entity 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 12 (as amended 2016): Inventories	01 April 2018	The impact of the amendment is not material.
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	The impact of the amendment is not material.
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	The impact of the amendment is not material.
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	The impact of the amendment is not material.
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	The impact of the is not material.
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	The impact of the amendment is not material.
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	The impact of the amendment is not material.
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	The impact of the amendment is not material.
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unable to reliably estimate the impact
• GRAP 34: Separate Financial Statements	01 April 2020	Not expected to impact results but may result in additional disclosure
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Not expected to impact results but may result in additional disclosure

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

2. New standards and interpretations (continued)

• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact

2.3 Standards and interpretations not yet effective or relevant

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

Standard/ Interpretation:	**Effective date: Years beginning on or after**	**Expected impact:**
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact

3. Cash and cash equivalents

Cash and cash equivalents consist of:

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Cash on hand	15 212	25 135	15 152	25 075
Bank balances	82 408 414	2 922 342	61 619 932	2 017 804
Short-term deposits	1 660 771	1 578 528	-	-
Other cash and cash equivalents	66 410 876	275	66 410 787	-
	150 495 273	**4 526 280**	**128 045 871**	**2 042 879**

	Economic entity		Controlling entity	
	2019	2018	2019	2018
	R	R	R	R

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Standard Bank - Business current account (Primary account) - 030172349	118 889 404	27 496 735	22 861 690	59 976 086	615 658	11 694 552
Standard Bank - Business current account (DBSA)- 80472818	656 753	75	416 187	656 753	75	416 187
Standard Bank - Business current account (Grant account) - 251753846	478 828	921 231	871 325	478 828	921 231	871 325
Standard Bank - Business current account (Housing account)- 330535269	508 262	480 840	454 878	508 262	480 840	454 878
Ned Bank - Business current account - 1013906551	-	-	-	-	-	4 575 979
FNB Bank - Annerdale extension 2 (SHRA Grant account) - 62808280490	20 557 398	-	-	20 557 398	-	-
FNB Bank - Polokwane Ext 76 (Grant account) - 62808279352	100	-	-	100	-	-
FNB Bank - 32 day notice - 74372485836	1 660 771	1 578 528	1 505 719	1 660 771	1 578 528	1 505 719
FNB Bank - Refundable deposit - 62118359191	89	274	1 228	89	274	1 228
FNB Bank - Operational - 62078322105	230 985	904 538	225 749	230 985	904 538	225 749
Total	**142 982 590**	**31 382 221**	**26 336 776**	**84 069 272**	**4 501 144**	**19 745 617**

4. Other financial assets

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Designated at fair value				
Sanlam	-	69 297 244	-	69 297 244
Liberty Life	57 829 129	43 203 858	57 829 129	43 203 858
	57 829 129	**112 501 102**	**57 829 129**	**112 501 102**
Current assets				
Designated at fair value	57 829 129	112 501 102	57 829 129	112 501 102

Financial assets at fair value

Redemption terms

The Sanlam and Liberty Investments are to be redeemed in July 2019.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

5. Receivables from exchange

Gross balances				
Electricity	227 735 868	201 033 718	227 735 868	201 033 718
Water	455 380 828	371 915 064	455 380 828	371 915 064
Waste water	73 853 834	52 693 150	73 853 834	52 693 150
Refuse	91 539 181	64 845 382	91 539 181	64 845 382
Business service levies	209 786 275	291 559 146	209 786 275	291 559 146
Housing rental	241 286	-	241 286	-
Other (specify)	271 395	266 807	271 395	266 807
	1 058 808 667	**982 313 267**	**1 058 808 667**	**982 313 267**
Less: Allowance for impairment				
Provision for bad debts & RD cheques	(767 505 474)	(672 195 284)	(767 505 474)	(672 195 284)
Net balance				
Provision for bad debts & RD cheques	(767 505 474)	(672 195 284)	(767 505 474)	(672 195 284)
Electricity	227 735 868	201 033 718	227 735 868	201 033 718
Water	455 380 828	371 915 064	455 380 828	371 915 064
Waste water	73 853 834	52 693 150	73 853 834	52 693 150
Refuse	91 539 181	64 845 382	91 539 181	64 845 382
Business service levies	209 786 275	291 559 146	209 786 275	291 559 146
Housing rental	241 286	-	241 286	-
Housing selling schemes	271 395	266 807	271 395	266 807
	291 303 193	**310 117 983**	**291 303 193**	**310 117 983**
Provision for bad debts & RD Cheques				
Total provision at year end	(768 947 261)	(673 637 071)	(768 947 261)	(673 637 071)
R/D cheques	1 441 787	1 441 787	1 441 787	1 441 787
	(767 505 474)	**(672 195 284)**	**(767 505 474)**	**(672 195 284)**
Electricity				
Current (0 -30 days)	63 666 659	45 122 795	63 666 659	45 122 795
31 - 60 days	24 073 897	19 861 660	24 073 897	19 861 660
61 - 90 days	18 529 076	18 430 782	18 529 076	18 430 782
91 - 120 days	6 971 201	7 129 918	6 971 201	7 129 918
120 days+	114 495 035	110 488 563	114 495 035	110 488 563
	227 735 868	**201 033 718**	**227 735 868**	**201 033 718**
Water				
Current (0 -30 days)	62 944 675	86 178 030	62 944 675	86 178 030
31 - 60 days	22 531 687	19 469 883	22 531 687	19 469 883
61 - 90 days	13 915 194	19 394 536	13 915 194	19 394 536
91 - 120 days	6 047 702	14 691 655	6 047 702	14 691 655
120 days+	349 941 570	232 180 960	349 941 570	232 180 960
	455 380 828	**371 915 064**	**455 380 828**	**371 915 064**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

5. Receivables from exchange (continued)

Waste water				
Current (0 -30 days)	9 133 740	9 895 373	9 133 740	9 895 373
31 - 60 days	5 005 966	4 681 142	5 005 966	4 681 142
61 - 90 days	4 392 638	3 458 457	4 392 638	3 458 457
91 - 120 days	3 090 973	2 918 602	3 090 973	2 918 602
120 days+	52 230 517	31 739 576	52 230 517	31 739 576
	73 853 834	**52 693 150**	**73 853 834**	**52 693 150**
Refuse				
Current (0 -30 days)	6 071 491	(2 615 052)	6 071 491	(2 615 052)
31 - 60 days	5 799 756	5 404 851	5 799 756	5 404 851
61 - 90 days	5 137 832	4 261 621	5 137 832	4 261 621
91 - 120 days	3 538 932	3 844 058	3 538 932	3 844 058
121+ days	70 991 170	53 949 904	70 991 170	53 949 904
	91 539 181	**64 845 382**	**91 539 181**	**64 845 382**
Other sundry debtors				
Current (0 -30 days)	5 393 925	86 961 314	5 393 925	86 961 314
31 - 60 days	2 346 614	3 891 131	2 346 614	3 891 131
61 - 90 days	2 123 542	875 395	2 123 542	875 395
91 - 120 days	5 151 648	1 292 893	5 151 648	1 292 893
121+ days	194 770 546	198 538 413	194 770 546	198 538 413
	209 786 275	**291 559 146**	**209 786 275**	**291 559 146**
Housing rental				
Current (0 -30 days)	81 064	-	81 064	-
31 - 60 days	80 429	-	80 429	-
61 - 90 days	79 793	-	79 793	-
	241 286	**-**	**241 286**	**-**
Housing selling schemes				
Current (0 -30 days)	3 200	14 837	3 200	14 837
31 - 60 days	3 077	17 954	3 077	17 954
61 - 90 days	2 883	1 193	2 883	1 193
91 - 120 days	625	1 672	625	1 672
121+ days	261 610	231 151	261 610	231 151
	271 395	**266 807**	**271 395**	**266 807**
Reconciliation of allowance for impairment				
Balance at beginning of the year	(673 637 070)	(536 124 466)	(673 637 070)	(536 124 466)
RD cheques opening balance	1 441 786	1 441 786	1 441 786	1 441 786
Debt impairment written off against allowance	21 156 806	79 535 978	21 156 806	79 535 978
Contributions to allowance	(116 466 996)	(217 048 582)	(116 466 996)	(217 048 582)
	(767 505 474)	**(672 195 284)**	**(767 505 474)**	**(672 195 284)**

Consumer debtors pledged as security

No consumer debtors are pledged as security.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

6. Other receivables from exchange transactions

Trade debtors	351 313	818 709	-	-
Prepayments (if immaterial)	-	7 488 272	-	7 488 272
Deposits - Eskom	800 724	708 664	800 724	708 664
Beroka Football Club	759 166	759 166	759 166	759 166
Rental smoothing receivable	2 447 972	2 290 093	2 447 972	2 290 093
Current portion of housing selling scheme loans	3 891	3 891	3 891	3 891
Housing debtors	144 352	144 352	144 352	144 352
Unclaimed receipts	643 523	618 748	2 931	-
Leelyn Management Parking	164 113	164 113	164 113	164 113
Staff loans	17 890	17 890	-	-
Standard bank - Interest receivable	1 249 327	863 787	1 249 327	863 787
Other debtors	591 722	591 772	591 722	591 772
Sundry debtors - auctioneer	3 160 360	3 160 310	3 160 360	3 160 310
Debtor suspense account	977 498	977 498	977 498	977 498
Aganang sundry balances	25 034	25 034	25 034	25 034
	11 336 885	**18 632 299**	**10 327 090**	**17 176 952**

Non-current assets	144 352	144 352	144 352	144 352
Current assets	11 192 533	18 487 947	10 182 738	17 032 600
	11 336 885	**18 632 299**	**10 327 090**	**17 176 952**

Lease rental receivable

Minimum rental receipts				
Within a year	4 486 150	4 789 766	4 486 150	4 789 766
Between 1 and 5 years	20 616 878	19 516 244	20 616 878	19 516 244
After 5 years	67 994 026	73 482 375	67 994 026	73 485 375
	93 097 054	**97 788 385**	**93 097 054**	**97 791 385**

7. Receivables from non-exchange transactions

Fines	43 197 248	46 421 215	43 197 248	46 421 215
PAYE	26 697	109 503	-	-
CDM	3 401 857	3 401 857	3 401 857	3 401 857
Consumer debtors - Rates	341 906 884	252 392 157	341 906 884	252 392 157
	388 532 686	**302 324 732**	**388 505 989**	**302 215 229**

Receivables from non-exchange transactions pledged as security

No none-exchange transactions are pledged as security.

Age analysis - Rates				
Current (0 - 30 days)	35 029 403	31 462 268	35 029 403	31 462 268
31 - 60 days	19 373 198	16 598 646	19 373 198	16 598 646
61 - 90 days	15 066 956	10 613 715	15 066 956	10 613 715
91 - 120 days	10 761 705	8 368 036	10 761 705	8 368 036
121+ days	258 816 432	185 349 492	258 816 432	185 349 492
	339 047 694	**252 392 157**	**339 047 694**	**252 392 157**

Notes to the Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
		2019 R	2018 R	2019 R	2018 R

8. Inventories

Water for distribution		497 354	368 062	497 354	368 062
Consumable stores - at cost		142 508 815	155 840 241	142 508 815	155 840 241
Land inventory		6 648 360	8 125 800	6 648 360	8 125 800
		149 654 529	**164 334 103**	**149 654 529**	**164 334 103**
Inventories recognised as an expense during the year		-	351 730 040	-	351 730 040

Water for distribution

Opening balance		368 062	890 144	368 062	890 144
Purchases		176 250 288	185 561 023	176 250 288	185 561 023
Issued		(144 315 725)	(160 256 762)	(144 315 725)	(160 256 762)
Water losses	39	(31 805 271)	(25 826 343)	(31 805 271)	(25 826 343)
Closing balance		**497 354**	**368 062**	**497 354**	**368 062**

9. VAT receivable

Other asset 3 - Current portion	33 379 556	58 253 018	33 379 556	58 253 018

The VAT payable should be netted off against the VAT receivable resulting in a net amount of R19 187 038.For the breakdown of the balance, please refer to the table below.

VAT claimable (not due - accrued)	93 752 102	36 070 425	93 752 102	36 070 425
VAT payabe (output - accrued)	(84 315 456)	(77 102 459)	(84 315 456)	(77 102 459)
Net VAT refundable by SARS	23 942 910	99 285 052	23 942 910	99 285 052
	33 379 556	**58 253 018**	**33 379 556**	**58 253 018**

10. Investment property

Economic entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	749 428 236	-	749 428 236	724 131 490	-	724 131 490

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	749 428 236	-	749 428 236	724 131 490	-	724 131 490

10. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2019

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	724 131 490	(947 312)	26 244 058	749 428 236

Reconciliation of investment property - Controlling entity - 2018

	Opening balance	Additions	Disposals	Other changes, movements	Fair value adjustments	Total
Investment property	702 055 306	3 188 690	(793 523)	(8 676 899)	28 357 916	724 131 490

Pledged as security

No investment properties are pledged as security.

The values were determined by an external professional valuer registered with the South African Council for the Property Valuers Profession, registration number 4973/1. The value of investment property, comprising of land and building was determined by using a combination of valuation approaches. Each of these approaches assessed the relevance of each specific property based on their nature, use and comparable market transactions. The preferred valuation methodology applied to vacant land was that of comparable market related sales, based on use, location and extent. In cases where no reasonable comparable sales were available, the discounted cash flow methodology was used based on market related rentals for similar properties. Investment Properties were fair valued by Zack van der Merve, a registered professional valuer, registration number: (SACPVP) - Valuer: 4973.

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.

There are no restrictions on investment properties.:

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment

Economic entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	210 273 118	-	210 273 118	213 873 379	-	213 873 379
Buildings	127 366 512	(58 985 784)	68 380 728	115 698 180	(48 954 037)	66 744 143
Furniture and fixtures	246 457	(190 932)	55 525	294 015	(209 669)	84 346
Motor vehicles	175 542	(175 542)	-	175 542	(175 542)	-
Office equipment	170 976	(87 627)	83 349	192 783	(93 162)	99 621
IT equipment	226 114	(153 844)	72 270	275 326	(180 342)	94 984
Infrastructure	23 628 717 066	(13 035 528 002)	10 593 189 064	22 704 346 928	(12 532 586 516)	10 171 760 412
Community	4 066 420 303	(2 010 911 119)	2 055 509 184	4 015 780 712	(1 887 901 130)	2 127 879 582
Movable assets and other	389 169 556	(132 597 857)	256 571 699	263 583 515	(111 374 331)	152 209 184
Leased Assets	43 469 196	(10 066 221)	33 402 975	9 031 184	(2 337 971)	6 693 213
Total	**28 466 234 840**	**(15 248 696 928)**	**13 217 537 912**	**27 323 251 564**	**(14 583 812 700)**	**12 739 438 864**

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	181 873 118	-	181 873 118	181 873 379	-	181 873 379
Infrastructure	23 602 972 892	(13 035 528 002)	10 567 444 890	22 704 346 928	(12 532 586 516)	10 171 760 412
Community	4 066 420 303	(2 010 911 119)	2 055 509 184	4 015 780 712	(1 887 901 130)	2 127 879 582
Movable assets and other	389 169 556	(132 597 857)	256 571 699	263 583 515	(111 374 331)	152 209 184
Leased Assets	43 298 162	(9 895 187)	33 402 975	8 860 150	(2 166 937)	6 693 213
Total	**28 283 734 031**	**(15 188 932 165)**	**13 094 801 866**	**27 174 444 684**	**(14 534 028 914)**	**12 640 415 770**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals at carrying value	Transfers received	Revaluations	Loss on derecognition of assets	Depreciation	Impairment loss	Total
Land	213 873 379	-	(261)	-	(3 600 000)	-	-	-	210 273 118
Buildings	66 744 143	-	-	-	6 264 512	-	(4 627 927)	-	68 380 728
Furniture and fixtures	84 346	-	-	-	-	(8 638)	(20 183)	-	55 525
Office equipment	99 621	-	-	-	-	(2 515)	(13 757)	-	83 349
IT equipment	94 984	-	-	-	-	(5 540)	(17 174)	-	72 270
Infrastructure	10 171 760 412	925 858 572	(8 026 679)	29 842 060	-	-	(522 704 834)	(3 540 467)	10 593 189 064
Community	2 127 879 582	50 834 941	(41 948)	-	-	-	(123 163 391)	-	2 055 509 184
Movable assets and other	152 209 184	125 578 296	-	-	-	-	(21 215 781)	-	256 571 699
Leased Assets	6 693 213	35 023 715	(88 839)	-	-	-	(8 225 114)	-	33 402 975
	12 739 438 864	**1 137 295 524**	**(8 157 727)**	**29 842 060**	**2 664 512**	**(16 693)**	**(679 988 161)**	**(3 540 467)**	**13 217 537 912**

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2018

	Opening balance	Additions	Reclassification	Disposals at carrying value	Landfill provision	Other changes, movements	Depreciation	Impairment loss	Total
Land	213 873 379	-	-	-	-	-	-	-	213 873 379
Buildings	71 372 071	-	-	-	-	-	(4 627 928)	-	66 744 143
Furniture and fixtures	119 201	-	-	(12 197)	-	10	(22 668)	-	84 346
Motor vehicles	5 567	-	-	-	-	-	(3 011)	(2 556)	-
Office equipment	119 844	-	-	(4 743)	-	-	(15 480)	-	99 621
IT equipment	113 267	-	-	(138)	-	(10)	(18 135)	-	94 984
Infrastructure	10 159 648 163	662 339 268	-	(23 925 748)	6 355 003	-	(627 802 911)	(4 853 363)	10 171 760 412
Community	2 130 060 424	126 252 122	-	(273 511)	-	-	(128 159 453)	-	2 127 879 582
Movable assets and other	66 193 454	77 147 036	25 505 773	-	-	-	(16 637 079)	-	152 209 184
Leased Assets	30 953 830	8 274 447	(25 505 773)	(34 509)	-	-	(6 994 782)	-	6 693 213
	12 672 459 200	**874 012 873**	**-**	**(24 250 846)**	**6 355 003**	**-**	**(784 281 447)**	**(4 855 919)**	**12 739 438 864**

Notes to the Consolidated Annual Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2019

	Opening balance	Additions	Disposals at carrying value	Transfers received	Depreciation	Impairment loss	Total
Land	181 873 379	-	(261)	-	-	-	181 873 118
Infrastructure	10 171 760 412	900 114 398	(8 026 679)	29 842 060	(522 704 834)	(3 540 467)	10 567 444 890
Community	2 127 879 582	50 834 941	(41 948)	-	(123 163 391)	-	2 055 509 184
Movable assets and other	152 209 184	125 578 296	-	-	(21 215 781)	-	256 571 699
Leased Assets	6 693 213	35 023 715	(88 839)	-	(8 225 114)	-	33 402 975
	12 640 415 770	**1 111 551 350**	**(8 157 727)**	**29 842 060**	**(675 309 120)**	**(3 540 467)**	**13 094 801 866**

Reconciliation of property, plant and equipment - Controlling entity - 2018

	Opening balance	Additions	Reclassification	Disposals at carrying value	Landfill provision	Depreciation	Impairment loss	Total
Land	181 873 379	-	-	-	-	-	-	181 873 379
Infrastructure	10 159 648 163	662 339 268	-	(23 925 748)	6 355 003	(627 802 911)	(4 853 363)	10 171 760 412
Community	2 130 060 424	126 252 122	-	(273 511)	-	(128 159 453)	-	2 127 879 582
Movable assets and other	66 193 454	77 147 036	25 505 773	-	-	(16 637 079)	-	152 209 184
Leased Assets	30 945 278	8 274 447	(25 505 773)	(34 509)	-	(6 986 230)	-	6 693 213
	12 568 720 698	**874 012 873**	**-**	**(24 233 768)**	**6 355 003**	**(779 585 673)**	**(4 853 363)**	**12 640 415 770**

Pledged as security

No assets have been pledged as security:

The contractual commitment for the acquisition of property, plant and equipment is as follows:
Infrastructure assets: R1 151 561 627.99
Community assets: R44 017 291.38

Borrowing costs capitalised

There are no borrowing costs that have been capitalised to the property, plant and equipment.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

11. Property, plant and equipment (continued)

Capitalised expenditure (excluding borrowing costs)

Assets subject to finance lease (Net carrying amount)

Leased Assets	33 402 975	6 693 213	33 402 975	6 693 213

Revaluations

The effective date of the revaluations was 30 June 2017. Revaluations were performed by i@ Consulting. i@ Consulting and its directors are not connected to the municipality. The valuations are performed by Mr Zack van der Merwe [National Diploma Real Estate - Unisa (Property Valuation)(RSA)2005]

Land and buildings are re-valued independently every three years.

The valuation for Public Service Infrastructure were valued through a calculated nominal value.

The valuaion of land is based on the market rate per square metre, taking into account the extent of the property.

All assumptions were based on current market conditions at the time of the valuation.

Polokwane Housing Association: The effective date of the revaluations was Sunday. 30 June 2019. Revaluations were performed by independent valuer, Messers Eli Stroh (MDP PREPII) and S van der Spek of Eli Stroh (Pty) Ltd are not connected to the municipal entity and have recent experience in location and category of the property being valued. Land and buildings are valued once every three years.

Other information

Property, plant and equipment in the process of being constructed or developed

Carrying value of delayed projects				
Property, plant and equipment	233 378 034	-	233 378 034	-

Reconciliation of Work-in-Progress Economic entity - 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	1 163 551 931	275 036 589	1 438 588 520
Additional expenditure	953 479 085	50 834 998	1 004 314 083
Transferred to completed items	(239 060 992)	-	(239 060 992)
	1 877 970 024	**325 871 587**	**2 203 841 611**

Reconciliation of Work-in-Progress Economic entity - 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	634 095 890	158 770 991	792 866 881
Additional expenditure	758 353 297	34 382 514	792 735 811
Prior period error	(95 614 510)	91 869 606	(3 744 904)
Transferred to completed items	(133 282 746)	(9 986 522)	(143 269 268)
	1 163 551 931	**275 036 589**	**1 438 588 520**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

11. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress Controlling entity - 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	1 163 551 931	275 036 589	1 438 588 520
Additional expenditure	927 734 911	50 834 998	978 569 909
Transferred to completed items	(239 060 992)	-	(239 060 992)
	1 852 225 850	**325 871 587**	**2 178 097 437**

Reconciliation of Work-in-Progress Controlling entity - 2018

	Included within Infrastructure	Included within Community	Total
Opening balance	634 095 890	158 770 991	792 866 881
Additional cost	758 353 297	34 382 514	792 735 811
Prior period error	(95 614 510)	91 869 606	(3 744 904)
Transferred to completed items	(133 282 746)	(9 986 522)	(143 269 268)
	1 163 551 931	**275 036 589**	**1 438 588 520**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance				
Contracted services	102 070 284	289 281 845	101 969 249	289 039 668

Repairs and maintenance are only incurred through contracted services.

Change in estimated useful lives
Infrastructure assets
Depreciable assets - The originial remaining useful life of one year has been re-estimated to two years at the beginning of the current period to reflect the actual pattern of service potential derived from the assets

The effect of the current and future periods will be a decrease in the depreciation charge of R53 317 769.60 in the current period and an equal decrease in the depreciation charge of R53 317 769.90 over the remaining period/s.

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.

12. Biological assets that form part of an agricultural activity

Economic entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game	11 833 140	(7 100 742)	4 732 398	15 570 834	(3 737 694)	11 833 140

12. Biological assets that form part of an agricultural activity (continued)

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game	11 833 140	(7 100 742)	4 732 398	15 570 834	(3 737 694)	11 833 140

Reconciliation of biological assets that form part of an agricultural activity - Economic entity - 2019

	Opening balance	Impairment loss	Total
Game	11 833 140	(7 100 742)	4 732 398

Reconciliation of biological assets that form part of an agricultural activity - Economic entity - 2018

	Opening balance	Impairment loss	Total
Game	15 570 834	(3 737 694)	11 833 140

Reconciliation of biological assets that form part of an agricultural activity - Controlling entity - 2019

	Opening balance	Impairment loss	Total
Game	11 833 140	(7 100 742)	4 732 398

Reconciliation of biological assets that form part of an agricultural activity - Controlling entity - 2018

	Opening balance	Changes in fair value adjustment	Total
Game	15 570 834	(3 737 694)	11 833 140

Non-financial information

All biological assets relate to game. There were 844 game at year end (2018: 1700 game).

13. Heritage assets

Economic entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	17 897 171	-	17 897 171	17 897 171	-	17 897 171
Collections of insects, butterflies and fossils	144 000	-	144 000	144 000	-	144 000
Collections of rare books, manuscripts and records	3 858 647	-	3 858 647	3 858 647	-	3 858 647
Total	**21 899 818**	**-**	**21 899 818**	**21 899 818**	**-**	**21 899 818**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

13. Heritage assets (continued)

Controlling entity	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	17 897 171	-	17 897 171	17 897 171	-	17 897 171
Collections of insects, butterflies and fossils	144 000	-	144 000	144 000	-	144 000
Collections of rare books, manuscripts and records	3 858 647	-	3 858 647	3 858 647	-	3 858 647
Total	**21 899 818**	**-**	**21 899 818**	**21 899 818**	**-**	**21 899 818**

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Total
Art Collections, antiquities and exhibits	17 897 171	17 897 171
Collections of insects, butterflies and fossils	144 000	144 000
Collections of rare books, manuscripts and records	3 858 647	3 858 647
	21 899 818	**21 899 818**

Reconciliation of heritage assets Economic entity - 2018

	Opening balance	Other changes, movements	Total
Art Collections, antiquities and exhibits	11 592 796	6 304 375	17 897 171
Collections of insects, butterflies and fossils	144 000	-	144 000
Collections of rare books, manuscripts and records	3 858 647	-	3 858 647
	15 595 443	**6 304 375**	**21 899 818**

Reconciliation of heritage assets Controlling entity - 2019

	Opening balance	Total
Art Collections, antiquities and exhibits	17 897 171	17 897 171
Collections of insects, butterflies and fossils	144 000	144 000
Collections of rare books, manuscripts and records	3 858 647	3 858 647
	21 899 818	**21 899 818**

Reconciliation of heritage assets Controlling entity - 2018

	Opening balance	Other changes, movements	Total
Art Collections, antiquities and exhibits	11 592 796	6 304 375	17 897 171
Collections of insects, butterflies and fossils	144 000	-	144 000
Collections of rare books, manuscripts and records	3 858 647	-	3 858 647
	15 595 443	**6 304 375**	**21 899 818**

Pledged as security

No heritage assets are pledged as security

14. Intangible assets

Economic entity

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	1 304 768	(38 566)	1 266 202	1 304 768	-	1 304 768
Computer software, other	43 572 309	(9 349 834)	34 222 475	17 800 171	(7 593 467)	10 206 704
Total	**44 877 077**	**(9 388 400)**	**35 488 677**	**19 104 939**	**(7 593 467)**	**11 511 472**

Controlling entity

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Patents, trademarks and other rights	1 304 768	(38 566)	1 266 202	1 304 768	-	1 304 768
Computer software, other	43 370 676	(9 235 411)	34 135 265	17 598 538	(7 492 669)	10 105 869
Total	**44 675 444**	**(9 273 977)**	**35 401 467**	**18 903 306**	**(7 492 669)**	**11 410 637**

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Other changes, movements	Amortisation	Impairment loss	Total
Patents, trademarks and other rights	1 304 768	-	(38 566)	-	-	1 266 202
Computer software, other	10 206 704	25 667 422	66 150	(13 625)	(1 704 176)	34 222 475
	11 511 472	**25 667 422**	**27 584**	**(13 625)**	**(1 704 176)**	**35 488 677**

14. Intangible assets (continued)

Reconciliation of intangible assets - Economic entity - 2018

	Opening balance	Capital work in progress	Other changes, movements	Amortisation	Total
Patents, trademarks and other rights	1 304 768	-	-	-	1 304 768
Computer software, other	1 722 832	9 049 615	27 584	(593 327)	10 206 704
	3 027 600	**9 049 615**	**27 584**	**(593 327)**	**11 511 472**

Reconciliation of intangible assets - Controlling entity - 2019

	Opening balance	Additions	Other changes, movements	Impairment loss	Total
Patents, trademarks and other rights	1 304 768	-	(38 566)	-	1 266 202
Computer software, other	10 105 869	25 667 422	66 150	(1 704 176)	34 135 265
	11 410 637	**25 667 422**	**27 584**	**(1 704 176)**	**35 401 467**

Reconciliation of intangible assets - Controlling entity - 2018

	Opening balance	Capital work in progress	Other changes, movements	Amortisation	Total
Patents, trademarks and other rights	1 304 768	-	-	-	1 304 768
Computer software, other	1 607 499	9 049 615	27 584	(578 829)	10 105 869
	2 912 267	**9 049 615**	**27 584**	**(578 829)**	**11 410 637**

Pledged as security

No intangible assets are pledged as security:

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

15. Investments in controlled entities

Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Polokwane Housing Association	Polokwane Local Municipality	100.00 %	100.00 %	1 000	1 000

The carrying amounts of controlled entities are shown cost.

16. Consumer deposits

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Electricity	51 383 278	52 885 862	51 383 278	52 885 862
Water	11 298 466	10 168 915	11 298 466	10 168 915
Housing rental	10 419 890	9 352 327	10 419 890	9 352 327
	73 101 634	**72 407 104**	**73 101 634**	**72 407 104**

17. Payables from exchange transactions

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Trade payables	579 110 487	314 297 950	579 038 412	314 141 781
Payments received in advanced - contract in process	58 212 044	54 112 771	58 132 085	54 011 774
Unclaimed receipts	26 384 766	618 748	-	-
Retentions withheld	119 501 112	86 492 257	119 501 112	86 492 257
Accrued leave pay	114 936 242	112 303 624	114 936 242	112 303 624
Accrued expense	194 229	12 021	-	-
Deposits received	1 709 120	1 633 877	-	-
Deferred income - prepaid electricity and water	53 583 849	8 609 971	53 583 849	8 609 971
Salary and wage control	(1)	12 476	-	-
Skills Development Levy	-	65 168	-	-
CoGHSTA unspent grant	(1)	(1)	-	-
Unidentified receipts	36 104 764	11 121 026	36 104 764	11 121 026
Provision for bonus	17 275 280	15 458 647	17 275 280	15 458 647
Other minor payables	(25 779 873)	5 790 360	(25 779 873)	5 790 360
	981 232 018	**610 528 895**	**952 791 871**	**607 929 440**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
18. Long term loans				
At amortised cost				
Long term loans	522 578 598	561 414 515	522 578 598	561 414 515
The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R320 million at a interest rate of 8.875% over 10 years. The last instalment is repayable on 30 June 2021. .				
The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in February 2011 to borrow R50 million at a interest rate of 11.52% over 10 years. The last instalment is repayable on 30 June 2020.				
The Municipality had entered into a loan agreement with the Development Bank of Southern Africa in March 2017 to borrow R235 million at a interest rate of 10.756% over 14.92 years. The last instalment is repayable on 31 January 2032.				
The Municipality had entered into a loan agreement with Standard Bank in January 2018 to borrow R205 million at a interest rate of 10.98% over 15years. The last instalment is repayable on 31 January 2032.				
Non-current liabilities				
At amortised cost	466 051 071	512 977 719	466 051 071	512 977 719
Current liabilities				
At amortised cost	56 527 527	48 436 796	56 527 527	48 436 796

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts				
Public Transport Network Grant	55 985 461	131 535 827	55 985 461	131 535 827
Neighborhood Development Partnership Grant	6 415 024	7 242 025	6 415 024	7 242 025
Local government - Housing Accreditation Grant	508 262	480 840	508 262	480 840
Municipal Infrastructure Grant	25 334 371	10 363 501	25 334 371	10 363 501
Department of Local Government and Housing	2 949 710	2 949 710	2 949 710	2 949 710
Capricorn District Municipality	17 589	900 000	17 589	900 000
Energy Efficiency and Demand Side Management Grant	4 191 084	-	4 191 084	-
Municipal Systems Improvement Grant	376 454	-	376 454	-
Water Services Infrastructure Grant	3 796	-	3 796	-
Integrated National Electrification Program Grant	21 125 511	-	21 125 511	-
Regional Bulk Infrastructure Grant	333 783	-	333 783	-
	117 241 045	**153 471 903**	**117 241 045**	**153 471 903**

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

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

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

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

20. Finance lease obligation

Minimum lease payments due				
- within one year	11 027 610	3 408 423	11 027 610	3 408 423
- in second to fifth year inclusive	21 515 046	4 156 431	21 515 046	4 156 431
	32 542 656	7 564 854	32 542 656	7 564 854
less: future finance charges	(5 258 501)	-	(5 258 501)	-
Present value of minimum lease payments	**27 284 155**	**7 564 854**	**27 284 155**	**7 564 854**
Present value of minimum lease payments due				
- within one year	8 629 765	3 408 423	8 629 765	3 408 423
- in second to fifth year inclusive	18 654 390	4 156 431	18 654 390	4 156 431
	27 284 155	**7 564 854**	**27 284 155**	**7 564 854**
Non-current liabilities	24 508 643	3 961 712	24 508 643	3 961 712
Current liabilities	10 254 164	2 872 234	10 254 164	2 872 234
	34 762 807	**6 833 946**	**34 762 807**	**6 833 946**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

21. Provisions

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Increase due to change in provision	Reversed during the year	Total
Environmental rehabilitation	76 229 764	41 905 667	-	118 135 431
Provision for bonus	293 268	314 062	(293 268)	314 062
Provision for Fleet Africa	8 177 041	-	-	8 177 041
Provision for ex gratia benefits	10 648 000	49 000	-	10 697 000
Provision for leave	456 379	209 751	(70 083)	596 047
Provision for long service awards	40 654 000	4 798 000	-	45 452 000
	136 458 452	**47 276 480**	**(363 351)**	**183 371 581**

Reconciliation of provisions - Economic entity - 2018

	Opening Balance	Increase due to change in provision	Reversed during the year	Prior period error	Total
Environmental rehabilitation	64 273 890	11 955 874	-	-	76 229 764
Provision for bonus	263 636	275 198	(245 566)	-	293 268
Provision for Fleet Africa	-	8 164 940	-	12 101	8 177 041
Provision for ex gratia benefits	10 124 000	524 000	-	-	10 648 000
Provision for leave	508 792	28 102	(80 515)	-	456 379
Provision for long service awards	36 070 000	4 584 000	-	-	40 654 000
	111 240 318	**25 532 114**	**(326 081)**	**12 101**	**136 458 452**

Reconciliation of provisions - Controlling entity - 2019

	Opening Balance	Increase due to change in provision	Total
Provision for rehabilitation of landfill sites	76 229 764	41 905 667	118 135 431
Provision for Fleet Africa	8 177 041	-	8 177 041
Provision for ex gratia benefits	10 648 000	49 000	10 697 000
Provision for long service awards	40 654 000	4 798 000	45 452 000
	135 708 805	**46 752 667**	**182 461 472**

Reconciliation of provisions - Controlling entity - 2018

	Opening Balance	Increase due to change in provision	Prior period error	Total
Provision for rehabilitation of landfill sites	64 273 890	11 955 874	-	76 229 764
Provision for Fleet Africa	-	8 164 940	12 101	8 177 041
Provision for ex gratia benefits	10 124 000	524 000	-	10 648 000
Provision for long service awards	36 070 000	4 584 000	-	40 654 000
	110 467 890	**25 228 814**	**12 101**	**135 708 805**

	Economic entity 2019	Economic entity 2018	Controlling entity 2019	Controlling entity 2018
Non-current liabilities	174 284 431	127 531 764	174 284 431	127 531 764
Current liabilities	9 087 150	8 926 688	8 177 041	8 177 041
	183 371 581	**136 458 452**	**182 461 472**	**135 708 805**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

21. Provisions (continued)

Provision for ex gratia benefits

Reconciliation of provision for ex gratia benefits				
Opening balance	10 648 000	10 124 000	10 648 000	10 124 000
Current service cost	1 034 000	985 000	1 034 000	985 000
Interest	999 000	1 017 000	999 000	1 017 000
Benefits paid	(938 223)	(628 709)	(938 223)	(628 709)
Actuarial (gain)/loss	(1 045 777)	(849 291)	(1 045 777)	(849 291)
	10 697 000	**10 648 000**	**10 697 000**	**10 648 000**

Provision for long service awards

Reconciliation of provision of long service awards				
Opening balance	40 654 000	36 070 000	40 654 000	36 070 000
Current service cost	4 130 000	3 685 000	4 130 000	3 685 000
Interest cost	3 716 000	3 303 000	3 716 000	3 303 000
Benefits paid	(150 579)	(2 857 000)	(150 579)	(2 857 000)
Actuarial loss/(gain)	(2 897 421)	453 000	(2 897 421)	453 000
	45 452 000	**40 654 000**	**45 452 000**	**40 654 000**

22. Employee benefit obligations

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

Carrying value				
Accrued liability at the beginning of the year	(163 547 000)	(160 479 000)	(163 547 000)	(160 479 000)
Current service cost	(5 956 000)	(6 231 000)	(5 956 000)	(6 231 000)
Interest cost	(16 175 000)	(16 356 000)	(16 175 000)	(16 356 000)
Benefits paid	6 770 366	6 494 009	6 770 366	6 494 009
Actuarial (loss)/gain	(14 998 366)	13 024 991	(14 998 366)	13 024 991
	(193 906 000)	**(163 547 000)**	**(193 906 000)**	**(163 547 000)**

The municipality operates on 7 accredited medical aid schemes, namely Bonitas, Hosmed, Key-Health, LA Health Samwumed, Resolution Health and Government Employees Medical Scheme. Pensioners may continue on the option they belonged to on the day of their retirement.
The last post-employment health care benefits actuarial valuation in terms of GRAP 25 was done by ZAQ Consultants and Actuaries for the period ending 30 June 2019.

23. Revaluation reserve

Opening balance	7 501 673 838	7 445 091 872	7 426 020 555	7 369 438 589
Change during the year	1 181 293	56 581 966	(1 483 220)	56 581 966
	7 502 855 131	**7 501 673 838**	**7 424 537 335**	**7 426 020 555**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

24. Service charges

Sale of electricity	887 108 356	878 127 475	887 108 356	878 127 475
Sale of water	289 195 809	278 068 908	289 195 809	278 068 908
Solid waste	102 693 559	103 468 295	102 693 559	103 468 295
Sewerage and sanitation charges	107 293 394	97 777 381	107 293 394	97 777 381
	1 386 291 118	**1 357 442 059**	**1 386 291 118**	**1 357 442 059**

25. Rental of facilities and equipment

Premises				
Premises	9 755 280	9 968 580	-	-
Facilities and equipment				
Rental of facilities	14 879 613	15 730 400	14 879 613	15 730 400
	24 634 893	**25 698 980**	**14 879 613**	**15 730 400**

26. Agency services

Management Fees	25 915 326	19 207 957	23 975 254	17 345 085

27. Licences and permits (exchange)

Trading	70 461	1 095 020	70 461	1 095 020
Road and Transport	7 563 676	10 156 013	7 563 676	10 156 013
	7 634 137	**11 251 033**	**7 634 137**	**11 251 033**

28. Other income

Administrative handling fees	222 211	503 394	222 211	503 099
Burial fees	1 048 737	993 424	1 048 737	993 424
Sale of erven	7 522 282	6 974 975	7 522 282	6 974 975
Building plan fees	7 031 550	5 786 644	7 031 550	5 786 644
Admission fees	541 940	184 897	541 940	184 897
Tender deposits	13 248	25 697	13 248	25 697
Municipal information and statistics	79 563	1 434 645	79 563	1 434 645
Insurance claims	1 594 210	1 462 330	1 594 210	1 462 330
Refund Seta levy	817 271	944 412	817 271	944 412
Other minor income	(304 288)	1 495 678	(304 288)	1 495 678
Royalties	-	528 242	-	528 242
Interest received - trading	153	527	-	-
	18 566 877	**20 334 865**	**18 566 724**	**20 334 043**

29. Interest received - Investments

Interest revenue				
Bank	13 123 882	29 508 512	13 123 882	29 508 512

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
30. Property rates				
Rates received				
Residential	132 845 938	91 679 638	132 845 938	91 679 638
Commercial	131 665 309	151 555 213	131 665 309	151 555 213
State	30 784 932	24 370 028	30 784 932	24 370 028
Municipal	14 270 709	15 504 817	14 270 709	15 504 817
Small holdings	106 575 398	77 051 573	106 575 398	77 051 573
	416 142 286	**360 161 269**	**416 142 286**	**360 161 269**
Valuations				
Residential	34 273 989	33 159 299	34 273 989	33 159 299
Commercial	17 400 140	18 252 474	17 400 140	18 252 474
State	3 529 330	2 618 640	3 529 330	2 618 640
Municipal	1 322 057	1 191 772	1 322 057	1 191 772
Other	6 377 864	7 570 881	6 377 864	7 570 881
	62 903 380	**62 793 066**	**62 903 380**	**62 793 066**
31. Interest earned on outstanding debtors				
Receivables	64 961 794	77 045 047	64 961 794	77 045 047

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

32. Government grants and subsidies

Operating grants				
Equitable share	831 436 000	752 057 000	831 436 000	752 057 000
Finance Management Grant	3 048 000	2 979 000	3 048 000	2 979 000
Municipal Infrastructure Grant	45 278 526	84 374 183	45 278 526	84 374 183
Integrated National Electrification Grant	17 831 489	20 497 925	17 831 489	20 497 925
Energy Efficiency and Demand Side Grant	3 808 915	6 000 000	3 808 915	6 000 000
Public Transport Network Grant	53 158 667	58 736 250	53 158 667	58 736 250
Infrastructure Skills Development Grant	6 500 000	7 213 000	6 500 000	7 213 000
Water Services Infrastructure Grant	1 370 886	-	1 370 886	-
Expanded Public Works Program Incentive Grant	5 742 000	4 978 000	5 742 000	4 978 000
Municipal systems improvement grant	678 546	-	678 546	-
Capricorn District Municipality Grant	882 411	-	882 411	-
Municipal Demarcation Grant	-	3 044 000	-	3 044 000
	969 735 440	**939 879 358**	**969 735 440**	**939 879 358**

Capital grants				
Municipal Infrastructure Grant	260 264 610	302 813 662	260 264 610	302 813 662
Public Transport Network Grant	312 832 699	-	312 832 699	-
Water Services Infrastructure Grant	88 625 318	-	88 625 318	-
Neighborhood Development Grant	38 585 002	33 784 975	38 585 002	33 784 975
Regional Bulk Infrastructure Grant	370 171 243	209 676 000	370 171 243	209 676 000
SHRA subsidies	20 557 298	-	-	-
	1 091 036 170	**546 274 637**	**1 070 478 872**	**546 274 637**
	2 060 771 610	**1 486 153 995**	**2 040 214 312**	**1 486 153 995**

Conditional and Unconditional

Equitable Share

Public transport network grant

Balance unspent at beginning of year	131 535 827	4 808 921	131 535 827	4 808 921
Current-year receipts	330 107 000	216 734 000	330 107 000	216 734 000
Conditions met - transferred to revenue	(365 991 365)	(87 007 094)	(365 991 365)	(87 007 094)
Paid back to National Treasury	(39 666 001)	(3 000 000)	(39 666 001)	(3 000 000)
	55 985 461	**131 535 827**	**55 985 461**	**131 535 827**

Conditions still to be met - remain liabilities (see note 19).

The grant was used for public transport and non motorised transport infrastructure.

Neighbourhood development partnership grant

Balance unspent at beginning of year	7 242 025	12 455 425	7 242 025	12 455 425
Current-year receipts	45 000 000	41 027 000	45 000 000	41 027 000
Conditions met - transferred to revenue	(38 585 001)	(33 784 975)	(38 585 001)	(33 784 975)
Paid back to National Treasury	(7 242 000)	(12 455 425)	(7 242 000)	(12 455 425)
	6 415 024	**7 242 025**	**6 415 024**	**7 242 025**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

32. Government grants and subsidies (continued)

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund projects in order to provide community infrastructure to improve quality of life of residents in townships.

Local government - Housing accreditation grant

Balance unspent at beginning of year	480 840	454 878	480 840	454 878
Current-year receipts	27 422	25 962	27 422	25 962
	508 262	**480 840**	**508 262**	**480 840**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund the housing accreditation process.

Municipal infrastructure grant

Balance unspent at beginning of year	10 363 501	59 047 078	10 363 501	59 047 078
Current-year receipts	330 877 000	339 578 000	330 877 000	339 578 000
Conditions met - transferred to revenue	(305 543 130)	(358 917 002)	(305 543 130)	(358 917 002)
Paid back to National Treasury	(10 363 000)	(29 344 575)	(10 363 000)	(29 344 575)
	25 334 371	**10 363 501**	**25 334 371**	**10 363 501**

Conditions still to be met - remain liabilities (see note 19).

This grant was used to construct municipal infrastructure to provide basic services for the benefit of poor households.

Limpopo Provincial Government

Balance unspent at beginning of year	2 949 710	2 949 710	2 949 710	2 949 710

Conditions still to be met - remain liabilities (see note 19).

The grant was utilised in the planning phase of the Convention Centre.

Capricorn District Municipality

Balance unspent at beginning of year	900 000	-	900 000	-
Current-year receipts	(882 411)	900 000	(882 411)	900 000
	17 589	**900 000**	**17 589**	**900 000**

Conditions still to be met - remain liabilities (see note 19).

Expanded public works programme integrated grant

Current-year receipts	5 742 000	4 978 000	5 742 000	4 978 000
Conditions met - transferred to revenue	(5 742 000)	(4 978 000)	(5 742 000)	(4 978 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund projects in order to maximise job creation and skills development.

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

32. Government grants and subsidies (continued)

Energy Efficiency and Demand Side Management grant

Current-year receipts	8 000 000	6 000 000	8 000 000	6 000 000
Conditions met - transferred to revenue	(3 808 916)	(6 000 000)	(3 808 916)	(6 000 000)
	4 191 084	**-**	**4 191 084**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to reduce electricity consumption and improve energy efficiency.

Equitable Share

Current-year receipts	831 436 000	752 057 000	831 436 000	752 057 000
Conditions met - transferred to revenue	(831 436 000)	(752 057 000)	(831 436 000)	(752 057 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant is an unconditional grant and is partially utilized for the provision of indigent support through free basic services.

Finance Management Grant

Current-year receipts	3 048 000	2 979 000	3 048 000	2 979 000
Conditions met - transferred to revenue	(3 048 000)	(2 979 000)	(3 048 000)	(2 979 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003.

Municipal Systems Improvement grant

Current-year receipts	1 055 000	-	1 055 000	-
Conditions met - transferred to revenue	(678 546)	-	(678 546)	-
	376 454	**-**	**376 454**	**-**

Conditions still to be met - remain liabilities (see note 19).

The purpose of the grant is for institutional systems.

Water Services Infrastructure Grant

Current-year receipts	90 000 000	-	90 000 000	-
Conditions met - transferred to revenue	(89 996 204)	-	(89 996 204)	-
	3 796	**-**	**3 796**	**-**

Conditions still to be met - remain liabilities (see note 19).

Facilitate the planning and implementation of various water and on-site sanitation projects to accelerate backlog reduction and enhance the sustainability of services especially in the rural municipalities.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

32. Government grants and subsidies (continued)

Social Housing Regulatory Authority Grant

Current-year receipts	20 557 298	-	-	-
Conditions met - transferred to revenue	(20 557 298)	-	-	-
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

Integrated National Electrification Programme

Current-year receipts	38 957 000	-	38 957 000	2 979 000
Conditions met - transferred to revenue	(17 831 489)	-	(17 831 489)	(2 979 000)
	21 125 511	**-**	**21 125 511**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund projects to address electrification backlogs in rural areas.

Regional Bulk Infrastructure Grant

Current-year receipts	370 505 000	209 676 000	370 505 000	209 676 000
Conditions met - transferred to revenue	(370 171 217)	(209 676 000)	(370 171 217)	(209 676 000)
	333 783	**-**	**333 783**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund projects in order to provide Bulk infrastructure to improve quality of life of residents.

Infrastructure Skills Development grant

Current-year receipts	6 500 000	7 213 000	6 500 000	7 213 000
Conditions met - transferred to revenue	(6 500 000)	(7 213 000)	(6 500 000)	(7 213 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

The grant was used to fund projects in order to provide Bulk infrastructure to improve quality of life of residents.

Municipal Demarcation Grant

Current-year receipts	-	3 044 000	-	3 044 000
Conditions met - transferred to revenue	-	(3 044 000)	-	(3 044 000)
	-	**-**	**-**	**-**

Conditions still to be met - remain liabilities (see note 19).

This grant was utilised for sport related operating expenses.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
33. Public contributions and donations				
Public contributions and donations	561 287	1 036 482	561 287	1 036 482
Public contributions and donations 2	29 842 060	-	29 842 060	-
	30 403 347	**1 036 482**	**30 403 347**	**1 036 482**

Conditions still to be met - remain liabilities (see note 19)

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

34. Fines, Penalties and Forfeits

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Illegal Connections Fines	(33 583)	652	(33 583)	652
Law Enforcement Fines	134 726	-	134 726	-
Overdue Books Fines	29 202	57 915	29 202	57 915
Pound Fees Fines	167 110	140 750	167 110	140 750
Municipal Traffic Fines	30 929 782	20 926 501	30 929 782	20 926 501
	31 227 237	**21 125 818**	**31 227 237**	**21 125 818**

Notes to the Consolidated Annual Financial Statements

35. Employee related costs

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Basic	490 888 527	449 608 897	484 488 743	443 144 524
Bonus	38 059 212	33 033 855	37 745 150	32 758 657
Medical aid - company contributions	32 533 329	29 348 676	32 216 191	29 107 079
UIF	3 506 927	3 294 847	3 468 631	3 260 534
SDL	60 395	53 991	-	-
Leave pay provision charge	18 842 265	29 650 016	18 632 514	29 621 914
Defined contribution plans	88 689 261	80 248 441	88 153 208	79 904 424
Travel, motor car, accommodation, subsistence and other allowances	63 158 665	58 529 185	62 765 460	58 262 188
Overtime payments	75 082 604	61 057 093	75 069 851	61 056 457
Long-service awards	5 163 999	2 066 841	5 163 999	2 066 841
Housing benefits and allowances	8 959 555	7 703 453	8 811 555	7 595 453
Interest cost - employee benefit plans	20 890 000	20 676 000	20 890 000	20 676 000
Actuarial gain/loss - employee benefit plans	11 055 168	(13 421 282)	11 055 168	(13 421 282)
Current cost - employee benefit plans	5 956 000	6 231 000	5 956 000	6 231 000
Bargaining council levy	191 240	171 935	191 240	171 935
	863 037 147	**768 252 948**	**854 607 710**	**760 435 724**

Remuneration of municipal manager

The Municipal Manager was appointed in May 2017.

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Annual remuneration	1 524 940	1 445 990	1 524 940	1 445 990
Housing allowance	278 507	264 954	278 507	264 954
Motor car allowance	267 885	254 160	267 885	254 160
Councillor contributions	273 889	259 962	273 889	259 962
	2 345 221	**2 225 066**	**2 345 221**	**2 225 066**

Remuneration of chief finance officer

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Annual remuneration	1 127 318	888 533	1 127 318	888 533
Motor car allowance	146 829	132 375	146 829	132 375
Council contribution	4 315	34 911	44 315	34 911
Housing allowance	557 714	427 880	557 714	427 880
Acting allowance	-	129 237	-	129 237
	1 836 176	**1 612 936**	**1 876 176**	**1 612 936**

Director Planning and Economic Development

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Annual remuneration	1 221 127	977 929	1 221 127	977 929
Motor car allowance	225 141	195 806	225 141	195 806
Council contribution	246 942	213 911	246 942	213 911
Housing allowance	182 966	162 665	182 966	162 665
	1 876 176	**1 550 311**	**1 876 176**	**1 550 311**

Director Engineering Services

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Annual remuneration	572 755	963 268	572 755	963 268
Motor car allowance	85 686	257 057	85 686	257 057
Council contributions	81 870	244 718	81 870	244 718
	740 311	**1 465 043**	**740 311**	**1 465 043**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

35. Employee related costs (continued)

Director Community Services

Annual remuneration	1 219 514	979 029	1 219 514	979 029
Motor car allowance	281 426	244 757	281 426	244 757
Council contributions	204 412	177 861	204 412	177 861
Housing benefits	170 823	148 482	170 823	148 482
	1 876 175	**1 550 129**	**1 876 175**	**1 550 129**

Director Corporate and Shared Service

Annual remuneration	1 219 514	67 401	1 219 514	67 401
Motor car allowance	281 426	17 000	281 426	17 000
Council contributions	58 070	12 289	58 070	12 289
Housing allowances	317 166	6 000	317 166	6 000
Cellphone allowance	-	1 000	-	1 000
Termination settlement	-	285 454	-	285 454
	1 876 176	**389 144**	**1 876 176**	**389 144**

Director Community Development

Annual remuneration	-	1 026 146	-	1 026 146
Motor car allowance	-	66 752	-	66 752
Council contributions	-	14 986	-	14 986
Housing allowances	-	75 206	-	75 206
Acting allowances	91 362	-	91 362	-
Termination settlement	-	72 876	-	72 876
	91 362	**1 255 966**	**91 362**	**1 255 966**

Director Strategic Planning, Monitoring and Evaluation

Annual remuneration	1 219 514	356 011	1 219 514	356 011
Motor car allowance	281 426	89 003	281 426	89 003
Council contributions	170 823	64 677	170 823	64 677
Housing allowances	204 412	53 993	204 412	53 993
	1 876 175	**563 684**	**1 876 175**	**563 684**

Director Transportation Services

Annual remuneration	1 213 878	267 008	1 213 878	267 008
Motor car allowance	281 427	66 752	281 427	66 752
Council contributions	210 047	54 143	210 047	54 143
Housing benefits	170 823	34 859	170 823	34 859
	1 876 175	**422 762**	**1 876 175**	**422 762**

No performance bonuses were paid out in terms of Section 57 of the Muncipal Systems Act.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
36. Remuneration of councillors				
Executive Mayor	1 051 128	802 955	1 051 128	802 955
Mayoral Committee Members	8 549 647	10 352 178	8 549 647	10 352 178
Speaker	856 342	673 396	856 342	673 396
Councillors	27 498 139	24 361 582	27 498 139	24 361 582
	37 955 256	**36 190 111**	**37 955 256**	**36 190 111**
37. Depreciation and amortisation				
Property, plant and equipment	681 721 266	788 442 376	677 042 225	783 746 603
Intangible assets	13 626	14 498	-	-
	681 734 892	**788 456 874**	**677 042 225**	**783 746 603**
38. Finance costs				
Non-current borrowings	72 228 885	63 644 729	72 228 885	63 644 729
Other interest paid	-	89	-	-
	72 228 885	**63 644 818**	**72 228 885**	**63 644 729**
39. Bulk purchases				
Electricity - Eskom	626 737 676	625 834 630	626 737 676	625 834 630
Water	184 004 164	176 530 740	184 004 164	176 530 740
	810 741 840	**802 365 370**	**810 741 840**	**802 365 370**
Electricity losses				
Distribution loss in KWH	62 294 114	119 669 669	62 294 114	119 669 669
Percentage Loss: Through distribution	9 %	16 %	9 %	16 %
Rand value Distribution losses	55 249 012	99 905 157	55 249 012	99 905 157
Water losses				
Distribution losses	34 862 765	25 826 344	34 862 765	25 826 344
Distribution loss in KL	6 776 956	5 248 544	6 776 956	5 248 544
Percentage Loss: Loss through distribution	18 %	14 %	18 %	14 %

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

40. Contracted services

Administrative and Support Staff	296 876	777 574	296 876	777 574
Animal Care	276 770	-	276 770	-
Burial Services	1 251 936	682 759	1 251 936	682 759
Call Centre	1 867 109	-	1 867 109	-
Cleaning Services	1 704 111	1 596 825	1 704 111	1 596 825
Clearing and Grass Cutting Services	2 382 939	6 599 129	2 382 939	6 599 129
Fire Services	7 625	-	7 625	-
Hygiene Services	711 312	-	711 312	-
Litter Picking and Street Cleaning	-	5 007 009	-	5 007 009
Meter Management	30 409 005	90 068 174	30 409 005	90 068 174
Organic and Building Refuse Removal	800 000	801 083	800 000	801 083
Personnel and Labour	27 545 421	13 222 460	27 545 421	13 222 460
Connection/Dis-connection	6 517 518	63 275 393	6 517 518	63 275 393
Refuse Removal	83 856 819	16 804 004	83 856 819	16 804 004
Security Services	43 773 973	42 357 561	43 773 973	42 357 561
Sewerage Services	32 236 815	63 775 902	32 236 815	63 775 902
Swimming Supervision	-	355 499	-	355 499
Translators, Scribes and Editors	64 125	-	64 125	-
Transport Services	33 834 578	-	33 834 578	-
Drivers Licence Cards	2 840	-	2 840	-
Business and Advisory	251 942 766	187 729 765	251 453 569	187 289 765
Infrastructure and Planning	83 426 592	85 542 975	67 870 592	62 409 892
Laboratory Services	17 105 348	1 159 968	16 906 513	1 159 968
Legal Cost	20 729 906	14 032 229	20 729 906	14 032 229
Building	-	8 353 598	-	8 353 598
Catering Services	1 302 416	400 175	1 302 416	400 175
Distribution of Electricity by Others	-	49 287 214	-	49 287 214
Electrical	16 360 380	5 518 077	16 360 380	5 518 077
Employee Wellness	301 947	267 259	301 947	267 259
Event Promoters	108 921	-	108 921	-
Fire Protection	1 734 638	1 055 351	1 734 638	1 055 351
Gardening Services	2 232 446	4 026 811	2 232 446	4 026 811
Grading of Sport Fields	1 026 811	701 970	1 026 811	701 970
Maintenance of Buildings and Facilities	29 678 643	25 750 037	29 578 589	25 512 160
Maintenance of Equipment	26 879 297	40 599 497	26 878 316	40 595 197
Maintenance of Unspecified Assets	31 852 698	11 216 200	31 852 698	11 216 200
Management of Informal Settlements	433 492	260 815	433 492	260 815
Transportation	5 996 205	5 205 424	5 996 205	5 205 424
Sports and Recreation	-	3 091 966	-	3 091 966
Forestry	-	605 018	-	605 018
	758 652 278	**750 127 721**	**742 307 211**	**726 312 461**

41. Transfers and subsidies

Other subsidies				
SPCA	480 000	479 750	480 000	479 750
Polokwane Housing Association	-	-	24 184 032	32 573 083
	480 000	**479 750**	**24 664 032**	**33 052 833**

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
42. Inventory consumed				
Standard rated	8 106 839	5 531 188	8 106 839	5 531 188
Zero rated	367 632	558 544	367 632	558 544
Water consumed	-	406 633	-	406 633
Materials and supplies	114 799 605	86 975 785	114 799 605	86 975 785
	123 274 076	**93 472 150**	**123 274 076**	**93 472 150**
43. General expenses				
Accounting fees	176 439	43 140	-	-
Advertising	21 180 331	26 567 627	21 144 635	26 508 676
Auditors remuneration	10 953 858	13 590 010	9 960 322	12 704 085
Bank charges	4 901 158	2 656 153	4 871 370	2 626 574
Entertainment	277 039	350 728	274 142	345 187
Hire	3 298 204	4 673 230	3 298 204	4 673 230
Insurance	14 305 281	12 867 377	14 108 884	12 681 628
Conferences and seminars	74 992	-	-	-
IT expenses	9 347 084	17 743 082	9 344 557	17 718 014
Levies	6 663 383	6 207 496	6 663 383	6 207 496
Fuel and oil	36 373 794	21 729 040	36 373 794	21 729 040
Placement fees	-	2 281 609	-	2 281 609
Postage and courier	6 475 265	4 614 536	6 475 265	4 614 458
Printing and stationery	116 267	21 015	73 015	(26 214)
Protective clothing	16 383 397	9 269 130	16 383 397	9 247 880
Security (Guarding of municipal property)	1 361 280	1 561 733	-	-
Software expenses	74 190	85 412	-	-
Subscriptions and membership fees	7 872 657	7 313 158	7 837 097	7 268 623
Telephone and fax	12 624 515	12 448 512	12 480 379	12 201 907
Training	23 072	87 119	-	-
Travel - local	2 674 981	5 595 353	2 316 428	5 262 291
Title deed search fees	43 266	994 446	43 266	994 446
Electricity	-	300	-	-
Municipal services	14 460 737	11 887 200	14 460 737	11 887 200
Legal fees	-	131 055	-	-
Credit checks	-	2 798	-	-
Management fees	4 178 093	40 885 783	4 023 756	40 885 783
Other expenses	76 828 298	52 824 047	76 828 298	52 824 047
	250 667 581	**256 431 089**	**246 960 929**	**252 635 960**
44. Fair value adjustments				
Biological assets - (Fair value model)	(7 100 742)	(3 737 694)	(7 100 742)	(3 737 694)
Investment property	25 296 748	-	25 296 748	-
Heritage assets	-	6 304 252	-	6 304 252
Other financial assets				
• Investments (Designated as at FV through P&L	(2 461 186)	1 901 029	(2 461 186)	1 901 029
	15 734 820	**4 467 587**	**15 734 820**	**4 467 587**
45. Impairment loss				
Impairments				
Property, plant and equipment	3 557 159	4 872 999	3 540 467	4 853 363

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

46. Auditors' remuneration

Fees	10 953 858	13 590 010	9 960 322	12 704 085

47. (Loss) gain on disposal of assets and liabilities

Disposal of infrastructure assets	(6 543 458)	(5 421 194)	(6 543 458)	(5 421 194)
Disposal of leased assets	(88 839)	(34 509)	(88 839)	(34 509)
Disposal of community assets	(41 949)	(20 139 418)	(41 949)	(20 139 418)
Disposal of land	26 200	1 368 000	26 200	1 368 000
Gain on donated investment properties	-	3 188 690	-	3 188 690
Fair value gain on investment properties	-	19 681 017	-	19 681 017
Gain on acquisition of office equipment	-	40 655	-	40 655
Derecognition on heritage assets	-	123	-	123
Finance lease liability written off	-	11 617 850	-	11 617 850
	(6 648 046)	**10 301 214**	**(6 648 046)**	**10 301 214**

48. Inventories losses/write-downs

Inventory losses	42 214	12 435 258	42 214	12 435 258
Water inventory losses	-	522 082	-	522 082
	42 214	**12 957 340**	**42 214**	**12 957 340**

Notes to the Consolidated Annual Financial Statements

49. Cash generated from operations

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
Surplus (deficit)	260 614 888	(313 513 931)	246 153 657	(309 030 504)
Adjustments for:				
Depreciation and amortisation	681 734 892	788 456 873	677 042 225	783 746 602
Gain (loss) on sale of assets and liabilities	6 648 046	(10 301 214)	6 648 046	(10 301 214)
Donated Assets	(29 842 060)	-	(29 842 060)	-
Fair value adjustments	(15 734 820)	(4 467 587)	(15 734 820)	(4 467 587)
Impairment deficit	3 557 159	4 872 999	3 540 467	4 853 363
Debt impairment	225 720 267	159 957 863	216 987 976	151 266 404
Movements in retirement benefit assets and liabilities	30 359 000	163 547 000	30 359 000	163 547 000
Movements in provisions	46 913 129	(128 905 863)	46 752 667	(128 883 082)
Inventory write down/losses	42 214	12 957 340	42 214	12 957 340
Interest income	(13 123 882)	(29 508 512)	(13 123 882)	(29 508 512)
Finance cost	72 228 885	63 644 729	72 228 885	63 644 729
Changes in working capital:				
Inventories	14 637 360	(11 906 220)	14 637 360	(11 906 220)
Other receivables from exchange transactions	(1 436 877)	49 974 160	6 849 862	57 932 073
Consumer debtors	(198 173 186)	(44 394 723)	(198 173 186)	(44 394 723)
Other receivables from non-exchange transactions	(86 207 954)	(302 524 642)	(86 290 760)	(302 211 676)
Prepayments	(31 214 056)	35 462	(31 224 132)	-
Payment received in advance - contracted in process	4 120 311	10 142 426	4 120 311	10 142 426
VAT	44 973 878	4 479 835	44 973 878	4 479 835
Payables from exchange transactions	296 603 352	106 975 176	270 784 504	106 891 580
VAT	24 873 462	(29 105 428)	24 873 462	(29 105 428)
Unspent conditional grants and receipts	(36 230 858)	72 855 893	(36 230 858)	72 855 893
Consumer deposits	694 530	1 454 136	694 530	1 454 136
Unclaimed receipts	25 005 582	(645 075)	24 983 738	(645 028)
Interest received	13 123 882	29 508 512	13 123 882	29 508 512
Finance cost paid	(72 228 885)	(63 644 729)	(72 228 885)	(63 644 729)
	1 267 658 259	**529 944 480**	**1 221 948 081**	**529 181 190**

Notes to the Consolidated Annual Financial Statements

50. Prior period errors

Statement of Financial Position

		Economic entity		Controlling entity	
		Audited	Prior year adjustments	Reclassifying adjustments	Restated
	Note(s)	R	R	R	R
Assets					
Current Assets					
Receivables from exchange transactions		659 900 175	(95 934 687)	(253 847 505)	310 117 983
Other receivables from exchange transactions		66 948 582	-	(48 460 635)	18 487 947
Receivables from non-exchange transactions		-	(84 188)	302 408 920	302 324 732
Prepayments		-	-	12 616	12 616
Inventories		162 966 102	1 368 001	-	164 334 103
Current portion of receivables		3 891	-	(3 891)	-
		889 818 750	**(94 650 874)**	**109 505**	**795 277 381**
Non-Current Assets					
Property, plant and equipment		12 682 819 181	56 619 683	-	12 739 438 864
Heritage assets		15 595 566	6 304 252	-	21 899 818
Intangible assets		11 483 887	27 585	-	11 511 472
Investment property		732 808 388	(8 676 898)	-	724 131 490
		13 442 707 022	**54 274 622**	**-**	**13 496 981 644**
Total Assets		**14 332 525 772**	**(40 376 252)**	**109 505**	**14 292 259 025**
Liabilities					
Current Liabilities					
Payables from exchange transactions		610 435 012	(15 620)	109 503	610 528 895
Provisions		-	12 101	8 914 587	8 926 688
		610 435 012	**(3 519)**	**9 024 090**	**619 455 583**
Non-Current Liabilities					
Employee benefit obligation		-	-	(163 547 000)	(163 547 000)
Provisions		(299 993 352)	-	172 461 588	(127 531 764)
		(299 993 352)	**-**	**8 914 588**	**(291 078 764)**
Total Liabilities		**310 441 660**	**(3 519)**	**17 938 678**	**328 376 819**
Net Assets		**14 022 084 112**	**(40 372 733)**	**(17 829 173)**	**13 963 882 206**
Net Assets					
Accumulated surplus		5 313 553 994	(40 372 723)	-	5 273 181 271

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.1 Receivables from exchange transactions

Balance previously reported	659 900 175
Prior period error - reversal of prepaid water sales	(11 106 142)
Prior period restatement - Rates receivable	(252 392 157)
Prior period error - reversal of prepaid electricity sales	(12 720 999)
2016/2017 period error relating to estimations - electricity	(9 548 537)
2016/2017 period error relating to estimations - water	281 160
Prior period error relating to estimations - electricity	(19 398 365)
Prior period error relating to estimations - water	(11 809 792)
Prior period error relating to smart meter readings - electricity	(2 760 207)
Prior period error relating to smart meter readings - water	(28 871 805)
Prior period restatement of subsidiary's receivables to other receivables	(1 455 348)
	310 117 983

It was decided to reclassify receivables from property rates, amounting to R252 392 157 to receivables from non exchange transactions to allow for presentation to be in line with Treasury guidelines. There was also a correction of revenue relating to estimations and smart meter readings. Receivables from PHA previously recorded under receivables from exchange were moved to other receivables from exchange.

50.2 Other receivables from exchange transactions

Balance previously reported	66 948 582
Fines - non exchange receivable	(46 505 403)
Other receivables - CDM	(3 401 857)
Current portion of housing selling scheme loans	3 891
Prior period restatement of subsidiary's receivables from exchange receivables to other exchange receivables	1 455 350
Prior period restatement of subsidiary's prepayment from other receivables to prepayments	(12 616)
	18 487 947

Non exchange receivables were previously recorded in the "other receivable from non exchange transactions - unless specified otherwise" line item on the face of the Statement of Financial Position. Withing the current financials, these amounts were reclassified to a new line item called "Receivables from non exchange transactions" to enhance presentation.

50.3 Receivables from non-exchange transactions

Balance previously reported	-
Property rates	252 392 157
Fines - reclassification	46 505 403
Fines - prior year adjustment	(84 188)
CDM	3 401 857
PHA: Reclassification of amount previously reported under payables from exchange transactions	109 503
	302 324 732

An additional line item - "Receivables fron non exchange transactions" was added to the face of the Statement of Financial Position to ensure compliance with Treasury guidelines and to enhance presentation.
With reference to fines, in addition to the reclassification, there was a prior period adjustment relating to the provision for impairment.

PHA: SARS PAYE has been overpaid and therefore transferred to non-exchange receivables as the balance reflects a positive balance.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.4 Inventories

Balance previously reported	162 966 102
Reversal of disposal recognised in incorrect period	1 368 001
	164 334 103

The correction made in the prior year relating to the audit finding was reversed as this was considered incorrect by management.

50.5 Prepayments

Balance previously reported	-
Prior period restatement of subsidiary's prepayment from other receivables to prepayments	12 616
	12 616

There was a material prepayment in the parent municipality during the current financial year. As the line item was therefore seperately shown, it was decided to reclassify the immaterial prepayments from the subsidiary that was previously included in other receivables from exchange to the seperate "prepayments" line item.

50.6 Current portion of receivables

Balance previously reported	3 891
This amount has been included in other receivables from exchange transactions	(3 891)
	-

50.7 Property, plant and equipment

Balance previously reported	12 682 819 182
Correction of priod period error on accumulated depreciation related to property, plant and equipment	87 554 743
Correction of prior period error on library books with related accumulated depreciation	7 593
Correction of prior period error relating to fleet cost and accumulated depreciation	(30 942 654)
	12 739 438 864

The prior period errors all relate to the parent municipality and can be summarised as follows: correction of prior period errors with regards to incorrect depreciation charge for property, plant and equipment; recognition of cost and accumulated depreciation of library books not previously recognised; and correction of incorrect accounting treatment relating to leased assets.

Capital expenditures for infrastructure assets and community assets have been corrected as follows:
- R91 869 608 that was previously incorrectly classified under infrastructure assets capital expenditure has been reclassified to community assets capital expenditure.

- R3 744 904 that was previously incorrectly ommitted from capital expenditure has been included in the infrastructure assets capital expenditure.

50.8 Intangible assets

Balance previously reported	11 483 887
Add: recognition of intangible assets cost with related accumulated depreciation previously expensed	27 585
	11 511 472

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.9 Investment property

Balance previously reported	732 808 388
Correction of prior period error relating to land parcels	(8 676 898)
	724 131 490

Land parcels that were sold in the prior year were not derecognised due to the registration at the deed office not being complete. The deeds office however back dates the registration to reflect when the transaction took place and therefore has been corrected in the current year as a prior period error.

50.10 Heritage assets

Balance previously reported	15 595 566
Correction of prior period error relating to the valuation of artworks	6 304 252
	21 899 818

This relates to valuation of artworks that were previously erroneously not recognised

50.11 Payables from exchange transactions

Balance previously reported	610 435 011
PHA: Prior period reclassification to receivables	109 503
Write off of VIP/SAMRAS interface error pertaining to 2016/2017	(15 619)
	610 528 895

The reclassification amount of R109 503 relates to Polokwane Housing Association (the subsidiary). The municipal entity overpaid SARS for PAYE. The debit balance was therefore transferred to receivables from exchange.

As there were issues faced with regards to the interfacing of the HR module to the financial management module of Polokwane Local Municipality, there was a mismatch of an amount of R15 619. Management decided to write this control clearing balance off against employee related cost.

50.12 Provisions

Balance previously reported	-
Prior period restatement from non current to current liabilities	8 914 587
Correction of provision raised in the prior year	12 101
	8 926 688

The provision relating to Fleet Africa was incorrectly raised as a long term provision in the prior year. This was restated as current liabilities. The same applies for provision for bonus and leave of Polokwane Housing Association.
Furthermore, the amount raised for the provision relating to Fleet Africa was understated by R12 101.

50.13 Provisions

Balance previously reported	299 993 352
Prior period restatement of employee benefit obligation provision to a separate line on the Statement of Financial Position	(163 547 000)
Prior period restatement to current liabilities	(8 914 588)
	127 531 764

In the prior year, the provision for Fleet Africa; post employment medical aid obligation relating to Polokwane Local Muncipality as well as provision for leave and provision for bonus relating to Polokwane Housing Association was recorded as long term provisions.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.14 Employee benefit obligation

Balance previosly reported	-
Prior period restatement of the obligation as a separate line item on the Statement of Financial Position	163 547 000
	163 547 000

In the previous financial years the post employment medical aid (PEMA) subsidies were recorded together with other long term provisions.

-	-

50.15 Accumulated surplus

Balance previosly reported	5 313 553 994
Prior period adjustments to accounts receivable relating to the 2016/17 financial year	(9 267 377)
Prior period error relating to reversal due to incorrect vote	(84 188)
Prior period error relating to intangible assets	27 584
Prior period error relating to investment property	(8 676 899)
Prior period error relating to property, plant and equipment	56 619 696
Prior period error relating to heritage assets	6 304 252
Prior period error relating to accounts receivable	(86 667 309)
Prior period error relating to provisions	(12 101)
Prior period error relating to inventories	1 368 000
Prior period interface error	15 619
	5 273 181 271

The above prior period corrections relate to the controlling entity.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

Statement of Financial Performance

		Economic entity		Controlling entity	
	Note(s)	Audited R	Prior year adjustments R	Reclassifying adjustments R	Restated R
Revenue					
Revenue from exchange transactions					
Service charges		1 351 943 184	(5 717 774)	11 216 649	1 357 442 059
Rental of facilities and equipment		17 585 272	-	8 113 708	25 698 980
Agency services		27 321 665	-	(8 113 708)	19 207 957
Other income		112 641 797	-	(92 306 932)	20 334 865
Investment revenue		29 592 700	(84 188)	-	29 508 512
Total revenue from exchange transactions		**1 539 084 618**	**(5 801 962)**	**(81 090 283)**	**1 452 192 373**
Revenue from non-exchange transactions					
Transfer revenue					
Fines, Penalties and Forfeits		20 985 069	-	140 749	21 125 818
Total revenue		**1 560 069 687**	**(5 801 962)**	**(80 949 534)**	**1 473 318 191**
Expenditure					
Employee related costs		(768 268 566)	15 618	-	(768 252 948)
Lease rentals on operating lease		-	-	(39 716)	(39 716)
Depreciation and amortisation		(890 568 572)	102 111 698	-	(788 456 874)
Contracted services		(461 127 773)	-	(288 999 948)	(750 127 721)
Repairs and maintenance		(289 039 668)	-	289 039 668	-
General Expenses		(268 854 238)	12 423 149	-	(256 431 089)
Total expenditure		**(2 677 858 817)**	**114 550 465**	**4**	**(2 563 308 348)**
Operating (deficit) surplus		**(1 117 789 130)**	**108 748 503**	**(80 949 530)**	**(1 089 990 157)**
(Loss) Gain on disposal of assets and liabilities		63 074 546	(52 773 332)	-	10 301 214
Fair value adjustments		(1 836 665)	6 304 252	-	4 467 587
Inventories (losses/write-downs)/ reversal of write downs		(522 083)	-	(12 435 257)	(12 957 340)
		60 715 798	**(46 469 080)**	**(12 435 257)**	**1 811 461**
(Deficit) surplus for the year		**(1 057 073 332)**	**62 279 423**	**(93 384 787)**	**(1 088 178 696)**

50.16 Service charges

Balance previously reported	1 351 943 184
Prior period error - sale of water	(12 720 998)
Prior period error - sale of electricity	(11 106 141)
Prior period error relating to estimations and smart meter readings	(62 840 169)
Reclassification of indigent fees	11 216 649
Reclassification of surcharges into service charges	80 949 534
	1 357 442 059

Misstatements were identified within the revenue item relating to incorrect realisation of revenue due to estimation and smart meter reading errors.

There was also a reclassification of indigent fees that was previously presented under other income.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.17 Rental of facilities and equipment

Balance previously reported	17 585 272
PHA - Prior period restatement	8 113 708
	25 698 980

The amount was restated from agency services fees. This was an error in presentation in the prior year.

50.18 Agency services

Balance previously reported	27 321 665
PHA - Prior period restatement	(8 113 708)
	19 207 957

The amount was restated to rental of facilities and equipment of the subsidiary. This relates to an error in the presentation in the prior year.

50.19 Other Income

Balance previously reported	112 641 797
Reclassification to service charges	(11 216 649)
Reclassification to fines, penalties and forfeits	(140 749)
Reclassification of surcharges to service charges	(80 949 534)
	20 334 865

It was decided to present indigent fees under service charges, as this is compliant to the MSCOA chart.

Pound fees that was previously recorded under other income was reclassified to fines, penalties and forfeits.

Surcharges were included under service charges.

The above mentioned reclassifications were carried out to enhance presentation and ensure that presentation is in line with Treasury guidelines..

50.20 Investment revenue

Balance previously reported	29 592 700
Prior period reversal of interest received	(84 188)
	29 508 512

50.21 Fine, Penalties and Forfeits

Balance previously reported	20 985 069
Reclassification of pound fees	140 749
	21 125 818

Pound fees that were previously presented under other income was reclassified to fines, penalties and forfeits to enhance presentation and ensure compliance with Treasury guidelines.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.22 Employee related costs

Balance previously reported	(768 268 566)
Prior period interface error	15 618
	(768 252 948)

During the 2016/2017 financial year, there were IT related issues with regards to the interface between the HR module and SAMRAS. The difference was raised as a control clearing account. Management decided to write this off against prior year employee related costs.

50.23 Depreciation and amortisation

Balance previously reported	(890 568 572)
Prior period error resulting from change in non current assets	102 111 698
	(788 456 874)

The movement relates to the respective depreciation adjustments related to the change in the cost of assets.

50.24 Repairs and maintenance

Balance previously reported	289 039 668
Prior year reclassification to contracted services	(265 466 585)
Prior year reclassification to intercompany transfers and subsidies	(23 573 083)
	-

Repairs and maintenance should be disclosed as contracted services. The repairs and maintenance amount in the prior year was reclassified to contracted services.Part of the contracted services of the parent municipality was for work done on behalf of the subsidiary. This amount was further reclassified to transfers and subsidies. We do not see the impact under transfers and subsidies as this amount was eliminated through intercompany transactions.

50.25 Contracted services

Balance previously reported	461 127 773
Restatement of prior period from repairs and maintenance to contracted services	265 466 582
Restatement of prior period from contracted services to lease rentals	(39 717)
PHA: recognition of contracted services that were paid by the parent - accounting fees	440 000
PHA: recognition of contracted services that were paid by the parent - research and development	23 133 083
	750 127 721

Repairs and maintenance should be disclosed as contracted services. The repairs and maintenance amount in the prior year was reclassified to contracted services.

Lease rentals relating to the subsidiary is seperately disclosed for the current year as the lease rentals for the current year related to month to month contracts.

PHA: The accounting fees and research and development expenses were not previously recognised in the acccounting records as it was invoiced to and paid by Polokwane Municipality. It was brought into the accounting records of PHA during the current year in the form of grant income.

Notes to the Consolidated Annual Financial Statements

50. Prior period errors (continued)

50.26 Lease rentals

Balance previously reported	-
Reclassification of lease rentals from contracted services	39 716
	39 716

Refer to contracted services. The lease rentals paid by the subsidiary was seperately disclosed for the current year as the lease rentals are dependant on a month to month contract.

50.27 General Expenses

Balance previously reported	268 854 238
Prior period restatement to inventory write down	(12 435 250)
Prior period adjustment relating to the increase in Provision for fleet management	12 101
	256 431 089

Certain segments were classified below the surplus line as per the MSCOA segmentation.

The provision for Fleet Africa was understated by R12 101 in the prior year.

50.28 Loss on disposal of assets

Balance previously reported	63 074 546
Prior period error - reversal of investment property	(8 676 899)
Prior period error relating to inventories	1 368 000
Prior period error relating to PPE and intangible assets	(45 464 433)
	10 301 214

50.29 Fair value adjustments

Balance previously reported	(1 836 665)
Prior period error - Heritage assets fair value gain	6 304 252
	4 467 587

50.30 Inventory: (Write-down)

Balance previously reported	(522 083)
Prior year reclassification	(12 435 257)
	(12 957 340)

Refer to adjustments relating to general expenses.

51. Additional disclosure in terms of Municipal Finance Management Act

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R
Contributions to SALGA				
Current year subscription / fee	7 780 110	7 268 623	7 780 110	7 268 623
Amount paid - current year	(7 780 110)	(7 268 623)	(7 780 110)	(7 268 623)
	-	-	-	-

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

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

Audit fees

Current year subscription / fee	13 757 214	10 048 541	12 763 678	9 192 616
Amount paid - current year	(13 757 214)	(10 048 541)	(12 763 678)	(9 192 616)
	-	-	-	-

PAYE and UIF

Current year subscription / fee	136 526 177	109 564 247	135 408 623	108 277 997
Amount paid - current year	(136 526 177)	(109 564 247)	(135 408 623)	(108 277 997)
	-	-	-	-

Pension and Medical Aid Deductions

Current year subscription / fee	186 029 522	114 097 937	185 177 700	113 193 400
Amount paid - current year	(186 029 522)	(114 097 937)	(185 177 700)	(113 193 400)
	-	-	-	-

VAT

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

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

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

Councillors' arrear consumer accounts

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

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TSP Mojapelo	1 673	10 452	12 125
MF Ramaphakela	4 416	5 157	9 573
	6 089	**15 609**	**21 698**

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
TSP Mojapelo	1 576	10 984	12 560
MB Malebana	1 741	4 735	6 476
ME Makamela	-	821	821
HF Marx	5 976	1 126	7 102
MD Monakedi	3 840	7 581	11 421
LM Mothiba	335	2 958	3 293
MA & ES Mathabatha	5 015	4 541	9 556
MW Letsoalo	8 191	132 307	140 498
	26 674	**165 053**	**191 727**

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

30 June 2019	Highest outstanding amount	Aging (in days)
TSP Mojapelo	12 125	90
MF Ramaphakela	9 574	90

30 June 2018	Highest outstanding amount	Aging (in days)
MW Letsoalo	132 307	90
TSP Mojapelo	10 984	90
MD Monakedi	7 581	90
MB Malebana	4 735	90
MA & ES Mathabatha	4 541	90
LM Mothiba	2 958	90
HF Marx	1 126	90
ME Makamela	821	90

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

52. Commitments

Authorised capital expenditure

Capital commitments - approved and contracted for				
• Infrastructure	987 815 541	1 586 369 877	987 815 541	1 586 369 877
• Community	42 016 895	91 062 234	42 016 895	91 062 234
• Other	5 073 780	9 107 184	5 073 780	9 107 184
	1 034 906 216	**1 686 539 295**	**1 034 906 216**	**1 686 539 295**
Total capital commitments				
Already contracted for but not provided for	1 034 906 216	1 686 539 295	1 034 906 216	1 686 539 295

Authorised operational expenditure

Already contracted for but not provided for				
• MEG Security	495 084	-	-	-
Total operational commitments				
Already contracted for but not provided for	495 084	-	-	-

Total commitments

Total commitments				
Authorised capital expenditure	1 034 906 216	1 686 539 295	1 034 906 216	1 686 539 295
Authorised operational expenditure	495 084	-	-	-
	1 035 401 300	**1 686 539 295**	**1 034 906 216**	**1 686 539 295**

53. Contingencies

Contingent liabilities	153 341 727	139 398 133	153 341 727	139 398 133

See Annexure G for detail on Contingent Liabilities..

The above legal matters are ongoing and have not yet been finalised.

54. Unauthorised expenditure

Opening balance as previously reported	485 512 864	576 210 348	485 512 864	576 210 348
Opening balance as restated	**485 512 864**	**576 210 348**	**485 512 864**	**576 210 348**
Add: Unauthorised expenditure - current year	437 080 272	463 321 717	437 080 272	463 321 717
Less: authorised by council	(411 050 617)	(557 450 214)	(411 050 617)	(557 450 214)
Add: excess amount erroneously authorised by council	-	3 431 013	-	3 431 013
Closing balance	**511 542 519**	**485 512 864**	**511 542 519**	**485 512 864**

The opening balance and current year unauthorized expenditure will be subjected to Council's authorization.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

54. Unauthorised expenditure (continued)

Analysed as follows: non-cash

Employee related cost	-	3 979 000	-	3 979 000
Depreciation and amortisation	437 080 272	300 698 270	437 080 272	300 698 270
Provision of impairment	-	96 266 404	-	96 266 404
	437 080 272	**400 943 674**	**437 080 272**	**400 943 674**

Analysed as follows: cash

General expenditure	-	10 106 943	-	10 106 943
Unapproved rollovers	-	52 271 100	-	52 271 100
	-	**62 378 043**	**-**	**62 378 043**

55. Fruitless and wasteful expenditure

Opening balance as previously reported	469 280	458 324	8 629	8 629
Opening balance as restated	**469 280**	**458 324**	**8 629**	**8 629**
Add: Fruitless and wasteful expenditure for the year	2 380	109 164	-	98 208
Less: Amounts recoverable - prior period	-	(98 208)	-	(98 208)
Closing balance	**471 660**	**469 280**	**8 629**	**8 629**

56. Irregular expenditure

Opening balance as previously reported	579 488 732	489 738 001	562 536 969	473 085 661
Opening balance as restated	**579 488 732**	**489 738 001**	**562 536 969**	**473 085 661**
Add: Irregular Expenditure for the year	3 629 976	89 750 731	3 512 495	89 451 308
Closing balance	**583 118 708**	**579 488 732**	**566 049 464**	**562 536 969**

Other

Included in the opening balance is an amount of R7 101 865 from the former Aganang municipality

57. Risk management

Fair value

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments and have been defined as follows:

Level 1
Fair values are bases on quoted market prices in active markets for an identical instrument.

Level 2
Fair values are calculated using valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in active markets for similar instruments.

Level 3
Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

57. Risk management (continued)

Level 1				
Cash and cash equivalents	128 045 871	2 042 879	128 045 871	2 042 879
Level 2				
Investments	57 829 129	112 502 102	57 829 129	112 502 102
Level 3				
Investments	-	-	1 000	1 000
Total				
Investments	57 830 129	112 502 102	57 830 129	112 503 102
Cash and cash equivalents	128 045 871	2 042 879	128 045 871	2 042 879
	185 876 000	**114 544 981**	**185 876 000**	**114 545 981**

Financial risk management

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

57. Risk management (continued)

Liquidity risk

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

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

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

	2019 R	2018 R	2019 R	2018 R
Borrowings - Up to 1 year				
Capital repayments	52 638 062	48 436 794	52 638 062	48 436 794
Interest	42 984 143	70 996 557	42 984 143	70 996 557
	95 622 205	**119 433 351**	**95 622 205**	**119 433 351**
Borrowings - between 1 and 5 years				
Capital repayments	179 984 766	127 635 126	179 984 766	127 635 126
Interest	147 241 734	190 191 974	147 241 734	190 191 974
	327 226 500	**317 827 100**	**327 226 500**	**317 827 100**
Borrowings - greater than 5 years				
Capital repayments	306 437 258	385 342 596	306 437 258	385 342 596
Interest	70 665 073	172 417 145	70 665 073	172 417 145
	377 102 331	**557 759 741**	**377 102 331**	**557 759 741**
Borrowings - Total				
Capital repayments	539 060 087	561 414 516	539 060 087	561 414 516
Interest	260 890 950	433 605 675	260 890 950	433 605 675
	799 951 037	**995 020 191**	**799 951 037**	**995 020 191**
Trade and other payables - up to 1 year				
Trade and other payables	952 791 871	607 945 058	952 791 871	607 945 058
Finance lease - up to 1 year - capital repayments				
Vehicles	2 064 757	-	2 064 757	-
Cellphones	4 336 304	284 812	4 336 304	284 812
Photocopiers	3 853 102	2 587 423	3 853 102	2 587 423
	10 254 163	**2 872 235**	**10 254 163**	**2 872 235**
Finance lease - up to 1 year - Interest				
Vehicles	4 709 651	-	4 709 651	-
Cellphones	474 430	14 687	474 430	14 687
Photocopiers	-	521 502	-	521 502
	5 184 081	**536 189**	**5 184 081**	**536 189**

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

57. Risk management (continued)

Finance lease - between 1 and 5 years - capital repayments				
Vehicles	22 913 399	-	22 913 399	-
Cellphones	1 595 245	3 876 174	1 595 245	3 876 174
	24 508 644	**3 876 174**	**24 508 644**	**3 876 174**

Finance lease - between 1 and 5 years - interest				
Vehicles	11 298 145	-	11 298 145	-
Cellphones	47 103	280 257	47 103	280 257
	11 345 248	**280 257**	**11 345 248**	**280 257**

Finance lease - Total				
Capital repayments	34 762 808	6 748 409	34 762 808	6 748 409
Interest	16 529 329	816 446	16 529 329	816 446
	51 292 137	**7 564 855**	**51 292 137**	**7 564 855**

Credit risk

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from investments, loans, receivables and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June 2019 is as follows:

Financial Instruments:

Investment in financial institutions	57 829 129	112 503 102	57 829 129	112 503 102
Cash and cash equivalents	150 495 273	4 526 280	128 045 871	2 042 879
Trade and other receivables	691 004 255	726 848 758	689 991 920	725 380 795

Investments; and cash and cash equivalents:
The Municipality limits its exposure to credit risk by investing only with reputable financial institutions that have a sound credit rating and within guidelines set in accordance with Councils approved investment policy. The municipality does not consider there to be any significant exposure to credit risk.

Receivables
Receivables are amounts owing by consumers and are presented net of impairment losses. The Municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Deposits are required for service connections serving as a guarantee. Policies and processes are in place to manage risk.
Refer to Note 5,6 and 7 for additional information relating to the analysis of receivables.

58. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report note
Ultimate controlling entity	Polokwane Local Municipality
Controlling entity	Polokwane Local Muncipality
Controlled entities	Polokwane Housing Association. Refer to note. 15
Members of key management	No other payments are paid outside the contractual employment payments from employment. Refer to Note 35 for remuneration

Related party balances

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Commitments with related parties				
Polokwane Housing Association (Social Housing Project)			94 000 000	-

The commitment is not secured.

No guarantees were given or received.

There were no loans given or taken from Polokwane Housing Association during the year.

Related party transactions

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Expenses paid on behalf of related parties				
Maya Innovate (Pty) Ltd - Land use project for student accommodation			7 329 019	7 068 965
Kelotlhoko Construction (Pty) Ltd - Land use project - Gap and social housing scheme			5 498 150	4 797 975
Chiefton Facilities Management (Pty) Ltd - Land use management			2 728 331	11 266 143

Compensation to councillors - Payments to councillors are for allowances as gazetted. No other payments are made to councillors. Refer to Note 36 for remuneration of councillors.

Controlled entities - the municipality has exempted PHA from paying rates though utilities are still payable.

	Economic entity 2019 R	Economic entity 2018 R	Controlling entity 2019 R	Controlling entity 2018 R
Polokwane Housing Association				
Operational grant	-	-	7 940 000	9 000 000
Accounting fees paid on behalf of PHA	-	-	-	150 000
	-	**-**	**7 940 000**	**9 150 000**

58. Related parties (continued)

Remuneration of management

Councillors/Mayoral committee members

2019

	Basic salary	Travel	Medical aid allowance	Pension contribution	Data card	Cellphone	Total
Name							
Executive mayor	706 355	120 000	74 420	105 953	3 600	40 800	1 051 128
Speaker	641 971	67 115	-	96 296	3 600	40 800	849 782
Chief Whip	468 006	188 761	28 077	70 201	3 600	40 800	799 445
Mayoral committee members	4 563 399	1 508 091	111 301	683 876	41 827	474 042	7 382 536
Councillors	15 670 038	5 801 877	249 205	2 339 718	268 500	3 043 000	27 372 338
Chiefs	56 684	-	-	-	-	248 200	304 884
	22 106 453	**7 685 844**	**463 003**	**3 296 044**	**321 127**	**3 887 642**	**37 760 113**

2018

	Remuneration	Total
Name		
Executive mayor	1 012 408	1 012 408
Speaker	818 805	818 805
Chief Whip	770 405	770 405
Mayoral Committee members	7 258 027	7 258 027
Councillors	26 330 466	26 330 466
	36 190 111	**36 190 111**

59. Going concern

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality a constitutional mandate to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

The municipality's budget is substantially funded by the government which has not announced any intention to cease funding the municipality. Furthermore, based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is not under threat.

60. Events after the reporting date

The COVID-19 pandemic is simultaneously a health crisis and a global economic crisis. The National Treasury is already anticipating a 6% contraction in GDP for the year 2020.

A nationwide lockdown came into effect from 27 March 2020 as a result of the COVID-19 crisis. The effect of the lockdown and the ongoing crisis means that the economy will experience a significant downturn, while there will be an increased need for government services and assistance. Areas that could be affected as a result of the crisis include the following:

Construction, maintenance and related activities may be curtailed depending on whether they are essential. This could impact the completion of entities' capital projects and planned maintenance.

Public facilities may not be operational and certain services may not be provided as a result of the lockdown (and beyond). This could impact the revenue of entities as well as the ongoing demand for services.

There may be an increased demand for government:

- Services such as medical services, the provision of water and other sanitation services, and the provision of temporary housing or accommodation.

- Assistance and support to employees, unemployed citizens, businesses, NGOs, etc. due to the reduced activity in the economy.

- As some consumers of goods and services, taxpayers and others may be unable to work or earn revenue during the lockdown period, there is a potential increase in the non-payment for services such as water, electricity, property taxes, levies, etc. that are due to the municipality.

Impact on the 2018/19 financial year

Since the virus occurred in South Africa during March 2020, there was no impact, or an adjusting event was not applicable for the 2018/19 financial year.

Impact on the next financial years

The extent of the impact of COVID-19 on the Group's operational and financial performance will depend on future developments, including the duration and spread of the outbreak and related economic impact on job retentions or losses, all of which are highly uncertain and cannot be predicted.

If the lockdown is to remain at these levels for an extended period, the Group's revenue streams will begin to see declines due to less consumption demand. However, some relief is expected as the government announced a R500 billion stimulus package in April 2020 which includes a R20 billion allocation to municipalities to provide added service as outlined above.

The stimulus will aim to cushion the negative economic impact and therefore maintain to some extent the business consumers' demand for revenue generating basic services i.e. consumption from water and electricity.

Notes to the Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
	2019 R	2018 R	2019 R	2018 R

60. Events after the reporting date (continued)

In the event that the lock down is overly extended and the stimulus is not effective for some reason or the other, the following financial components may be impacted. The financial impact at this stage cannot be estimated as more data is required to make an assessment as this stage.

Financial component	**Nature of event (possible scenario**)	**Comments**
Investment property (Rental earning properties)	Lessees would be unable to make rental payments due to the municipality which will impact on the property valuations disclosed in the annual financial statements.	The municipality has no intention to reduce rentals or to provide and relief on its rental properties.
Long term loan and lease obligations(current portion)	Deferral of current short term loans due and payable to the banks may necessitate a reclassification of loans between short and long term.	The banks have not offered this relief to local government at this stage.
Prepayment for buses	The expectation to pay for buses at the end of June 2020 may not be feasible due to the lock down will affect classification	The buses are at an advanced stage for completion. The lock down phase 4 stage can allow for completion of the final stages.
Employee benefit	The current deaths from COVID 19 may impact the valuation of post-employment benefit liabilities	The mortality rate on the COVID 19 virus is insignificant as it is very low within the municipal boundaries.

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61. Budget differences

Material differences between budget and actual amounts

61. Budget differences (continued)

Polokwane Local Municipality:
Service charges: Service charges have four components, the variances which are explained seperately below:
1. Service charges: water - The water disruptions of the water authority was a major factor in revenue recovery. More conversions to prepaid than anticipated which led to better control over consumption by consumers. SAMRAS inconsistencies also led to major journals leading to reduced revenue.
2. Service charges: refuse - SAMRAS system was inconsistent in terms of billing, therefore the municipality adjusted revenue upwards based on upward trend demonstrated by SAMRAS report.
3. Service charges: sanitation - SAMRAS system was inconsistent in terms of billing, therefore the municipality adjusted revenue upwards based on upward trend demonstrated by SAMRAS report.
4. Service revenue: electricity - Due to energy efficiency interventions (solar water, heating, off grid technologies and load-shedding) and the effective control of consumption by consumers with prepaid.

Rental of facilities: Attributable to competition and under-utilisation of municipal facilities. The municipality had expected more usage during the 2019 elections.

Licence and permits: Overachievement attributable to reconciliation and possible increase on services and fines. The budget was captured low deliberately so that it does not distort the real surplus available to fund own revenue capital programs.

Interest received: investment - Poor investment returns from the sinking funds and time to withdraw from the fund and reinvest promptly.

Interest earned on outstanding debtors - Improved collection strategies resulted in lower outstanding debtors and thus decrease in interest - inccentives and arrangements.

Public contributions and donations: The significant increase is as a result of the donation received relating to the CDM asset.

Other revenue: Overprojected on budgeting.

Depreciation and asset impairment: Due to the reassessment of useful lives. The assessment is done at the year end and the impact will only be known then.

Impairment loss/reversal of impairments: Due to impairment assessments that was done in the year under review.

Contracted services: Variances are high due to the misclassification of line items, acquisition of financial systems and regravelling of roads. The expenditure has been moved to Capex. The acquisition of Munsoft was expensed instead of capitalised. The spending has been moved to capital program but the budget has remained on operational.

Transfers and subsidies: The entity had anticipated increased cost due to Ga-Rena phase 2 project which was delayed and therefore resulted in a saving.

General expenses: Over expenditure is on CRR due to teh misclassification of the items mentioned in contracted services. The acquisition of cell phones were expensed instead of capitalised. The spending has been moved to capital program but the budget has remained on operational.

Capital expenditure: Over expenditure is on CRR due to the misclassification of the items mentioned in contracted services.(Refer to explanation on the variance under Contracted services).

Notes to the Consolidated Annual Financial Statements

61. Budget differences (continued)

Polokwane Housing Association:
Interest received (trading) (Included in other income): The entity deposited less than the anticipated due to rental boycotts amongst other reasons.

Government grants and subsidies received: The difference is as a result of grants received from SHRA subsidies for the development of Annerdale Ext 2 that was not budgeted for the year under review as well as payments toward contracted services made on our behalf by the parent entity..

Employee related costs: The difference is as result of vacancies of company security and revenue officer.

Loss on derecognition of assets - No amount was budgeted for as the derecognition was not anticipated.

Lease rentals on operating lease - The contract of the photocopiers had expired and no new contract was entered into.

Debt impairment - Rental boycotts negatively affected collection therefore the high provision for receivables

Contracted services - The difference is as a result of expenditure incurred by the parent entity which was not budgeted for.

General expenses - The difference is a result of budget that could not be spent as a result of non collection of rentals.

62. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	522 578 598	561 414 515	522 578 598	561 414 515

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

63. Operating surplus (deficit)

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

Operating lease charges				
Equipment				
• Contractual amounts	52 798	39 716	-	-
Loss on sale of property, plant and equipment	(6 648 046)	(69 150 605)	(6 648 046)	(69 150 605)
Gain on sale of investment property	-	79 451 696	-	79 451 696
Gain on sale of work in progress	-	123	-	123
Impairment on property, plant and equipment	3 557 159	4 872 999	3 540 467	4 853 363
Amortisation on intangible assets	13 626	14 498	-	-
Depreciation on property, plant and equipment	681 721 266	788 442 376	677 042 225	783 746 603
Employee costs	900 992 403	804 443 059	892 562 966	796 625 835

64. Other revenue

Other income - (rollup)	18 566 877	20 334 865	18 566 724	20 334 043

65. Lease rentals on operating lease

Equipment				
Contractual amounts	52 798	39 716	-	-

66. Deviation from supply chain management regulations

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

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

Prescribed procurement processes were not followed but was approved by the Municipal Manager in terms of delegated powers and in accordance with Supply Chain Management Regulations and Policy. Valid reasons for deviations were recorded in all instances.

Deviations rand value (For details on the amounts - refer to Annexure K)	10 282 251	68 688 001	10 188 415	68 688 001

Manufacturing Statement

		Economic entity		Controlling entity	
	Note(s)	2019 R	2018 R	2019 R	2018 R

* See Note 50