KOUGA

local municipality

Good Governance through Service Excellence

AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

KOUGA LOCAL MUNICIPALITY

Annual Financial Statements for the year ended 30 June 2019

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE MAYORAL COMMITTEE AS AT 30 JUNE 2019

H Hendricks	Executive Mayor
F Campher	Infrastructure and Engineering
B Reeder	Planning and Development
B Williams	Finance
B Dhludhlu	Corporate Services
D Benson	Community Services
F Baxter	Local Economic Development and Tourism

AUDITOR-GENERAL

69 Frere Road, Vincent, East London, 5247
Eastern Cape

BANKERS

First National Bank
Private Bag X5
Jeffreys Bay, 6330

REGISTERED OFFICE

33 Da Gama Road	P O Box 21	Tel: (042) 200 2200
Jeffreys Bay	Jeffreys Bay	Fax: (042) 293 4204
	6330	

Webpage: www.kouga.gov.za
E-mail: registry@ec108.org.za

MUNICIPAL MANAGER

Mr. C. du Plessis

CHIEF FINANCIAL OFFICER

Mr. S Thys

GENERAL INFORMATION (continued)

LEGAL FORM

Category B Municipality which operates in accordance with Chapter 7 of the Constitution of South Africa.

The Objects of Local Government are:
to provide democratic and accountable government for local communities;
to ensure the provision of services to communities in a sustainable manner;
to promote social and economic development;
to promote a safe and healthy environment; and
to encourage the involvement of communities and community organisations in the matters of local government

The Municipality must strive, within its financial and administrative capacity, to achieve the objects as set out above.

JURISDICTION

Greater Kouga area which includes:

Humansdorp
St Francis Bay, Cape St Francis, Oyster Bay
Hankey, Jeffreys Bay, Loerie
Patensie, Thornhill

MEMBERS OF THE KOUGA LOCAL MUNICIPALITY

WARD	COUNCILLOR	
1	Mayoni	Z
2	Meleni	T
3	Gertenbach	W
4	Campher	F
5	Coenraad	W
6	Vumazonke	V
7	Februarie	E
8	Vorster	L
9	Jujwana	S
10	Mabukane	A
11	Bornman	H
12	Rheeder	B
13	Peters	M
14	Makasi	S
15	Hendricks	H
Proportional	August	C
Proportional	Oliphant	P
Proportional	Jantjies	R
Proportional	Dayimani	M
Proportional	Louw	F
Proportional	Matroos	C
Proportional	Nkomo	A
Proportional	Nkwalase	P
Proportional	Botha	N
Proportional	Dhludhlu	B
Proportional	Benson	D
Proportional	Jantjes	T
Proportional	Williams	B
Proportional	Baxter	F

APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, in accordance with Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister for Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

Mr. C du Plessis
Municipal Manager

31 AUGUST 2019
Date

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2019

	Note	Actual 2019 R	Actual 2018 Restated R
ASSETS			
Current Assets		**355 726 635**	**199 266 865**
Inventories	**2**	9 249 357	6 666 181
Receivables from Exchange Transactions	**3**	54 093 203	48 834 181
Receivables from Non-exchange Transactions	**4**	31 122 849	26 465 782
VAT Receivable	**5**	46 795 893	22 713 472
Cash and Cash Equivalents	**6**	214 227 967	94 315 125
Operating Lease Receivables	**7**	234 365	269 124
Current Portion of Long-term Receivables	**8**	3 000	3 000
Non-Current Assets		**2 261 605 900**	**2 244 133 562**
Property, Plant and Equipment	**9**	2 018 797 106	2 001 263 850
Intangible Assets	**10**	243 850	301 768
Investment Property	**11**	242 551 944	242 551 944
Long-term Receivables	**12**	13 000	16 000
Total Assets		**2 617 332 534**	**2 443 400 427**
LIABILITIES			
Current Liabilities		**246 921 563**	**126 346 248**
Consumer Deposits	**13**	17 378 122	15 240 869
Provisions	**14**	29 648 800	24 504 611
Payables from Exchange Transactions	**15**	87 382 553	70 715 226
Unspent Conditional Grants and Receipts	**16**	103 445 548	6 941 508
Current Portion of Long-term Liabilities	**17**	9 066 539	8 944 035
Non-Current Liabilities		**179 799 230**	**185 581 329**
Long-term Liabilities	**17**	16 354 409	23 600 396
Employee Benefit Liabilities	**18**	94 807 417	96 300 999
Non-current Provisions	**19**	68 637 404	65 679 934
Total Liabilities		**426 720 793**	**311 927 577**
Total Assets and Liabilities		**2 190 611 741**	**2 131 472 850**
NET ASSETS		**2 190 611 741**	**2 131 472 850**
Accumulated Surplus	**20**	2 190 611 741	2 131 472 850
Total Net Assets		**2 190 611 741**	**2 131 472 850**

KOUGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019 R	Actual 2018 Restated R
REVENUE			
Revenue from Non-exchange Transactions		**439 683 637**	**356 973 117**
Property Rates	**21**	184 331 308	160 619 768
Fines, Penalties and Forfeits	**22**	21 333 783	34 832 471
Licences and Permits	**23**	15 792 788	13 546 854
Transfers and Subsidies	**24**	216 899 825	146 848 088
Interest, Dividends and Rent on Land Earned	**28**	1 325 934	1 125 936
Revenue from Exchange Transactions		**440 424 050**	**385 478 058**
Service Charges	**25**	413 280 935	360 352 117
Sales of Goods and Rendering of Services	**26**	6 171 011	8 834 374
Rental from Fixed Assets	**27**	609 214	614 198
Interest, Dividends and Rent on Land Earned	**28**	18 908 767	14 409 988
Operational Revenue	**29**	1 454 124	1 267 381
Total Revenue		**880 107 688**	**742 451 175**
EXPENDITURE		**820 968 796**	**740 044 276**
Employee Related Costs	**30**	274 158 400	245 776 991
Remuneration of Councillors	**31**	12 202 166	12 065 883
Depreciation and Amortisation	**32**	75 855 819	73 617 801
Impairment Losses	**33**	45 764 042	61 478 776
Interest, Dividends and Rent on Land	**34**	6 637 780	9 245 059
Bulk Purchases	**35**	234 527 407	217 588 330
Contracted Services	**36**	62 693 690	35 492 455
Inventory Consumed	**37**	27 381 399	20 594 170
Transfers and Subsidies Paid	**38**	-	372 340
Operating Leases	**39**	9 510 378	2 725 534
Operational Costs	**40**	71 487 261	59 495 162
Loss on Disposal of Property, Plant and Equipment	**41**	750 454	1 591 775
Total Expenditure		**820 968 796**	**740 044 276**
SURPLUS / (DEFICIT) FOR THE YEAR		**59 138 891**	**2 406 899**

Refer to Budget Statement for explanation of budget variances

KOUGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Accumulated Surplus/(Deficit)	Total Net Assets
	R	R
2018		
Balance at 30 June 2017	**2 102 468 664**	**2 102 468 664**
Correction of Error (Note 42)	26 077 075	26 077 075
Restated Balance	**2 128 545 739**	**2 128 545 738**
Reversal of Correction of Error previously disclosed on AFS	520 204	520 204
Surplus / (Deficit) for the year	2 406 899	2 406 899
Prior year Audited Surplus	*(1 978 303)*	*(1 978 303)*
Restatement of Revenue	*(589 561)*	*(589 561)*
Restatement of Expenditure	*4 974 763*	*4 974 763*
Rounding differences	10	10
Balance at 30 June 2018	**2 131 472 851**	**2 131 472 850**
2019	-	
Correction of Error (Note 42)	-	-
Restated Balance	**2 131 472 851**	**2 131 472 850**
Surplus / (Deficit) for the year	59 138 890	59 138 890
Balance at 30 June 2019	**2 190 611 741**	**2 190 611 741**

Details on the movement of the Funds and Reserves are set out in Note 20.

KOUGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

	Note	Actual 2019 R	Actual 2018 Restated R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		**920 243 591**	**671 567 314**
Property Rates	**21**	181 926 552	159 940 086
Transfers and Subsidies	**24**	313 403 865	147 382 843
Service Charges	**25**	375 024 303	331 098 472
External Interest and Dividends Received	**28**	11 946 693	8 751 748
Other Receipts	**29**	37 942 178	24 394 165
Payments		**(698 268 552)**	**(603 817 108)**
Employee Related Costs	**30**	(271 908 268)	(240 166 744)
Remuneration of Councillors	**31**	(12 202 166)	(12 065 883)
External Interest and Dividends Paid	**34**	(3 443 107)	(4 571 726)
Suppliers Paid	**36**	(310 518 346)	(277 421 744)
Other Payments	**40**	(76 114 244)	(58 166 352)
VAT Receivable / Payable	**5**	(24 082 421)	(11 424 658)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**221 975 039**	**67 750 206**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	**9**	(94 313 177)	(50 000 831)
Proceeds on Disposal of Property, Plant and Equipment	**41**	(628 537)	885 959
Decrease / (Increase) in Long-term Receivables	**12**	3 000	48 751
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(94 938 714)**	**(49 066 121)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Borrowings	**17**	(7 123 483)	(8 622 667)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(7 123 483)**	**(8 622 667)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**119 912 842**	**10 061 419**
Cash and Cash Equivalents at Beginning of Period		94 315 125	84 253 706
Cash and Cash Equivalents at End of Period	**6**	214 227 967	94 315 125

KOUGA LOCAL MUNICIPALITY

THE STATEMENT OF COMPARISON OF BUDGET INFORMATION WITH ACTUAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2019

RECONCILIATION OF BUDGETED FINANCIAL POSITION WITH THE STATEMENT OF FINANCIAL POSITION:

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL POSITION								
Current Assets								
Inventories	4 513 498	2 152 683	6 666 181	6 666 181	9 249 357	2 583 176	138.75	204.93
Receivables from Exchange Transactions	42 559 000	(176 976)	42 382 024	42 382 024	54 093 203	11 711 180	127.63	127.10
Receivables from Non-exchange Transactions	31 184 000	(321 441)	30 862 559	30 862 559	31 122 849	260 290	100.84	99.80
VAT Receivable	-	-	-	-	46 795 893	46 795 893	0.00	0.00
Cash and Cash Equivalents	53 560 788	31 146 231	84 707 019	84 707 019	214 227 967	129 520 948	252.90	399.97
Operating Lease Receivables	-	-	-	-	234 365	234 365	0.00	0.00
Current Portion of Long-term Receivables	3 000	-	3 000	3 000	3 000	-	100.00	100.00
Non-Current Assets								
Property, Plant and Equipment	2 157 628 176	32 314 890	2 189 943 066	2 189 943 066	2 018 797 106	(171 145 960)	92.18	93.57
Intangible Assets	62 225	239 543	301 768	301 768	243 850	(57 918)	80.81	391.88
Investment Property	285 199 244	(587 000)	284 612 244	284 612 244	242 551 944	(42 060 300)	85.22	85.05
Long-term Receivables	64 751	(48 751)	16 000	16 000	13 000	(3 000)	81.25	20.08
Total Assets	2 574 774 682	64 719 179	2 639 493 861	2 639 493 861	2 617 332 534	(22 161 327)	99.16	101.65
Current Liabilities								
Consumer Deposits	10 478 553	4 762 316	15 240 869	15 240 869	17 378 122	2 137 254	114.02	165.84
Provisions	23 097 154	1 407 456	24 504 611	24 504 611	29 648 800	5 144 190	120.99	128.37
Payables from Exchange Transactions	87 054 449	39 456 759	126 511 207	126 511 207	87 382 553	(39 128 654)	69.07	100.38
Payables from Non-exchange Transactions	-	-	-	-	-	-	0.00	0.00
Unspent Conditional Grants and Receipts	-	-	-	-	103 445 548	103 445 548	0.00	0.00
Bank Overdraft	-	-	-	-	-	-	0.00	0.00
Current Portion of Long-term Liabilities	13 246 996	(4 302 961)	8 944 035	8 944 035	9 066 539	122 504	101.37	68.44
Non-Current Liabilities								
Long-term Liabilities	23 112 027	488 369	23 600 396	23 600 396	16 354 409	(7 245 987)	69.30	70.76
Employee Benefit Liabilities	93 863 466	(9 851 467)	84 011 999	84 011 999	94 807 417	10 795 418	112.85	101.01
Non-current Provisions	66 268 905	11 700 028	77 968 934	77 968 934	68 637 404	(9 331 530)	88.03	103.57
Total Liabilities	317 121 549	43 660 501	360 782 050	360 782 050	426 720 793	65 938 743	118.28	134.56
Total Assets and Liabilities	**2 257 653 133**	**21 058 678**	**2 278 711 811**	**2 278 711 811**	**2 190 611 741**	**(88 100 070)**	**96.13**	**97.03**
Net Assets (Equity)								
Accumulated Surplus / (Deficit)	2 257 653 133	21 058 678	2 278 711 811	2 278 711 811	2 190 611 741	(88 100 070)	96.13	97.03
Total Net Assets	**2 257 653 133**	**21 058 678**	**2 278 711 811**	**2 278 711 811**	**2 190 611 741**	**(88 100 070)**	**96.13**	**97.03**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Position are explained below:

Inventories:

Inventories are held by the municipality for own consumption. Inventories Include consumables, material and supplies and water stock held at the end of the financial year. The budgeted amount is lower than anticipated.

Receivables from Exchange Transactions:

The variance is due to unanticipated increase in debtors' accruals.

VAT Receivable:

National Treasury Budget Template not aligned to GRAP and does not provide for VAT Receivable.

Cash and Cash Equivalents:

The Cash and Cash Equivalents is influenced by the Capital Projects rollover to 2019/20 and the underspending on the Water Services Infrastructure Grant.

Operating Lease Reveivables:

NT Budget Template not aligned to GRAP and does not provide for Operating Lease Receivables.

Intangible Assets:

Budget provision sightly higher than anticipated.

Long-term Receivables:

Budget provision sightly higher than anticipated.

Consumer Deposits:

This amount relates to deposits paid by the consumers for new water and electricity connections. The actuals are sightly higher than budgted amount.

Provisions:

This amount relates to Employee Related Benefits and Rehabilitation of landfill sites. The actuals are sightly higher than budgeted amount.

Payables from Exchange Transactions:

The variance is due to the classification of the Nelson Mandela Metro bulk water account as contingent liability.

Unspent Conditional Grants and Receipts:

No budget provision is allowed for the Unspent Conditional Grants, unless a rollover has been approved by National Treasury.

Long-term Liabilities:

It was over-budgeted for Long-term Liabilities.

Employee Benefit Liabilities:

Actuals recognised are sightly higher than budgeted amount.

Non-current Provisions:

Budget provision sightly higher than anticipated.

RECONCILIATION OF BUDGETED FINANCIAL PERFORMANCE WITH THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
FINANCIAL PERFORMANCE								
Revenue from Non-exchange Transactions								
Property Rates	176 766 233	7 944 536	184 710 769	184 710 769	184 331 308	(379 461)	99.79	104.28
Fines, Penalties and Forfeits	4 229 954	(3)	4 229 951	4 229 951	21 333 783	17 103 832	504.35	504.35
Licences and Permits	13 107 999	(2 147 784)	10 960 215	10 960 215	15 792 788	4 832 573	144.09	120.48
Transfers and Subsidies	163 444 986	151 328 100	314 773 086	314 773 086	216 899 825	(97 873 261)	68.91	132.71
Interest, Dividends and Rent on Land Earned	8 641 911	(7 231 494)	1 410 417	1 410 417	1 325 934	(84 483)	94.01	15.34
Revenue from Exchange Transactions								
Licences and Permits	3 553 426	(1)	3 553 425	3 553 425	-	(3 553 425)	0.00	0.00
Service Charges	400 096 428	10 230 416	410 326 844	410 326 844	413 280 935	2 954 091	100.72	103.30
Sales of Goods and Rendering of Services	7 012 537	(2 387 434)	4 625 103	4 625 103	6 171 011	1 545 908	133.42	88.00
Rental from Fixed Assets	1 880 591	1 162 888	3 043 479	3 043 478	609 214	(2 434 264)	20.02	32.39
Interest, Dividends and Rent on Land Earned	13 904 998	809 637	14 714 635	14 714 635	18 908 767	4 194 132	128.50	135.99
Operational Revenue	904 503	2	904 505	904 506	1 454 124	549 618	160.76	160.76
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	-	-	0.00	0.00
Total Revenue	793 543 566	159 708 863	953 252 429	953 252 429	880 107 688	(73 144 741)	92.33	110.91
Expenditure								
Employee Related Costs	272 802 506	(129 506)	272 673 000	272 673 000	274 158 400	1 485 400	100.54	100.50
Remuneration of Councillors	12 783 834	(541 128)	12 242 706	12 242 706	12 202 166	(40 540)	99.67	95.45
Depreciation and Amortisation	75 357 136	-	75 357 136	75 357 136	75 855 819	498 683	100.66	100.66
Impairment Losses	41 429 000	(5 279 263)	36 149 737	36 149 737	45 764 042	9 614 305	126.60	110.46
Interest, Dividends and Rent on Land	3 020 625	1	3 020 626	3 020 627	6 637 780	3 617 153	219.75	219.75
Bulk Purchases	241 475 644	(4 000 000)	237 475 644	237 475 644	234 527 407	(2 948 237)	98.76	97.12
Contracted Services	45 111 000	22 985 000	68 096 000	68 096 000	62 693 690	(5 402 310)	92.07	138.98
Inventory Consumed	28 458 000	(942 000)	27 516 000	27 516 000	27 381 399	(134 601)	99.51	96.22
Transfers and Subsidies Paid	-	-	-	-	-	-	0.00	0.00
Operating Leases	6 919 365	4 234 875	11 154 240	11 154 240	9 510 378	(1 643 862)	85.26	137.45
Operational Costs	69 426 635	6 648 125	76 074 760	76 074 760	71 487 261	(4 587 499)	93.97	102.97
Loss on Disposal of Property, Plant and Equipment	-	-	-	-	750 454	750 454	0.00	0.00
Total Expenditure	796 783 745	22 976 105	819 759 850	819 759 851	820 968 796	1 208 945	100.15	103.04
Surplus/(Deficit for the Year	**(3 240 179)**	**136 732 758**	**133 492 579**	**133 492 578**	**59 138 891**	**(74 353 687)**	**44.30**	**-**

Financial Position: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Statement of Financial Performance are explained below:

Fines, Penalties and Forfeits:

Fines mostly relate to the traffic fines and arise from unanticipated traffic enfringements.

Licences and Permits:

Licences and Permits mostly relate to motor registrations and is influenced by the extent of vehicle registrations. The licences and Permits revenue recognised is higher than anticipated.

Transfers and Subsidies:

Transfers and Subsidies recognised are lower than the budgeted amount, due to the underspending of the Water Services Infrastructure Grant.

Interest, Dividends and Rent on Land Earned: Non-Exchange

This relates to the interest earned on the outstanding Property Rates Accounts. The interest realised is lower than anticipated.

Licences and Permits:

It was over-budgeted for Licences and Permits - negligible amount.

Sales of Goods and Rendering of Services:

Sales of Goods and Rendering of Services actuals are higher than anticipated due to unbudgeted camping fees.

Rental from Fixed Assets:

This relates to the rental of municipal buildings, community halls and other municipal facilities. The revenue recognised is lower than anticipated.

Interest, Dividends and Rent on Land Earned: Exchange Transactions

The interests on the Bank and Investments were sightly higher than anticipated. This was influenced by the extent of the municipality's investment portfolio.

Operational Revenue:

The variance is due to the recognition of discount received on the Nelson Mandela Bay Municipality bulk water account.

Impairment Losses:

The variance is due to traffic fines bad debt provision not budgeted for.

Interest, Dividends and Rent on Land:

The variance is due to interest charged on Overdue Creditors, Finance Lease and Landfill sites provision not budgeted for.

Operating leases:

The operating leases are sightly over budgeted.

Loss on Disposal of Property, Plant and Equipment:

Loss on disposal of PPE was budgeted for under Gains on disposal of PPE.

RECONCILIATION OF BUDGETED CAPITAL EXPENDITURE WITH THE CAPITAL EXPENDITURE PER STANDARD CLASSIFICATION:

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CAPITAL EXPENDITURE BY VOTE								
Vote 1 - Executive & Council	985 000	865 565	1 850 565	1 850 565	1 398 761	(451 804)	75.59	142.01
Vote 2 - Financial Services	1 506 900	1 086 552	2 593 452	2 593 452	1 322 564	(1 270 888)	51.00	87.77
Vote 3 - Corporate Services	2 309 000	1 056 067	3 365 067	3 365 067	2 628 616	(736 451)	78.11	113.84
Vote 4 - Planning, Development and Tourism	4 210 951	(1 574 949)	2 636 002	2 636 002	336 348	(2 299 654)	12.76	7.99
Vote 5 - Infrastructure and Engineering	46 544 610	138 084 740	184 629 350	184 629 350	83 574 714	(101 054 636)	45.27	179.56
Vote 6 - Community Services	12 188 362	2 252 178	14 440 540	14 440 540	4 166 035	(10 274 505)	28.85	34.18
Total Capital Expenditure	**67 744 823**	**141 770 153**	**209 514 976**	**209 514 976**	**93 427 038**	**(116 087 938)**	**44.59**	**137.91**

Capital Expendirure by Vote: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items for Capital Expenditure by Vote are explained below:

Vote 1 - Executive & Council

Projects relate to Ward Capital Programmes, with the budget rolled over to 2019/20 for implementation of the projects. The budget rollover was approved by Council on 15 August 2019

Vote 2 - Financial Services

Projects relate to Vehicle, Dot Matrix Printer, Disaster Recover Server and the upgrade of ICT building, with the budget rolled over to 2019/20 for implementation of the projects. The budget rollovers were approved by Council on 15 August 2019.

Vote 3 - Corporate Services

Projects relate to Electronic Document Management System, Biometric System, Furniture and Equipment, Computer Equiment and fencing of the main building, with the budget rolled over to 2019/20 for implementation of the projects. The budget rollovers were approved by Council on 15 August 2019.

Vote 4 - Planning, Development and Tourism

The underspending of Planning, Development and Tourism Capital budget was due to Land acquisition not yet recognised until the land is transferred to the Municipality.

Vote 5 - Infrastructure and Engineering

The underspending of Infrastructure and Engineering Capital budget was due to underspending transfer of the Water Services Infrastructure Grant.

Vote 6 - Community Services

Projects ralete to Vehicles, Life Guards Beach Tower, Furniture and Equipment, Hydraulics Rescue Equipment and Machinery and Equipment, with the budget rolled over to 2019/20 for implementation of the projects. The budget rollovers were approved by Council on 15 August 2019.

RECONCILIATION OF BUDGETED CASH FLOW WITH THE CASH FLOW STATEMENT:

Description	Original Budget	Budget Adjustments	Adjustment Budget	Final Budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	R	R	R	R	R	R	R	R
CASH FLOW								
Cash Flows from/(used in) Operating Activities								
Property Rates	164 392 598	9 235 525	173 628 122	173 628 122	181 926 552	8 298 429	104.78	110.67
Transfers and Subsidies	163 444 986	151 328 099	314 773 086	314 773 086	313 403 865	(1 369 220)	99.57	191.75
Service Charges	372 089 679	13 617 561	385 707 241	385 707 241	375 024 303	(10 682 938)	97.23	100.79
External Interest and Dividends Received	21 497 898	(5 819 512)	15 678 387	15 678 387	11 946 693	(3 731 694)	76.20	55.57
Other Receipts	30 689 009	(3 372 331)	27 316 678	27 316 678	37 942 178	10 625 500	138.90	123.63
Employee Related Costs	(275 037 921)	-	(275 037 921)	(275 037 921)	(271 908 268)	3 129 653	98.86	98.86
Remuneration of Councillors	(12 118 501)	-	(12 118 501)	(12 118 501)	(12 202 166)	(83 665)	100.69	100.69
External Interest and Dividends Paid	(3 020 625)	-	(3 020 625)	(3 020 625)	(3 443 107)	(422 482)	113.99	113.99
Suppliers Paid	(68 135 726)	-	(68 135 726)	(68 135 726)	(310 518 346)	(242 382 620)	455.73	455.73
Other Payments	(318 978 243)	(30 961 609)	(349 939 852)	(349 939 852)	(76 114 244)	273 825 608	21.75	23.86
VAT Receivable / Payable	-	-	-	-	(24 082 421)	(24 082 421)	0.00	0.00
Cash Flows from/(used in) Investing Activities								
Purchase of Property, Plant and Equipment	(67 744 823)	(141 770 156)	(209 514 980)	(209 514 980)	(94 313 177)	115 201 803	45.02	139.22
Proceeds on Disposal of Property, Plant and Equipment	-	-	-	-	(628 537)	(628 537)	0.00	0.00
Decrease / (Increase) in Long-term Receivables	-	-	-	-	3 000	3 000	0.00	0.00
Cash Flows from/(used in) Financing Activities								
Repayment of Borrowings	(13 246 996)	4 302 961	(8 944 035)	(8 944 035)	(7 123 483)	1 820 552	79.65	53.77
Cash and Cash Equivalents at End of the Year	**(6 168 664)**	**(3 439 462)**	**(9 608 126)**	**(9 608 126)**	**119 912 842**	**129 520 968**	**0.00**	**0.00**
Cash and Cash Equivalents at Beginning of Period	59 729 452	34 585 693	94 315 145	94 315 145	94 315 125	(20)		
Cash and Cash Equivalents at End of Period	53 560 788	31 146 231	84 707 019	84 707 019	214 227 967	129 520 948		

Cash Flow: Explanation of Variances between Approved Budget and Actual

Reasons for Variances greater than 10% between Approved Budget and Actual Amount on the various items disclosed in the Cash Flow Statement are explained below:

External Interest and Dividends Received:

Interest on Service Charges was lower than anticipated, due to improved collection rate.

Other Receipts:

Other Receipts mostly relate to unallocated deposits for Service Charges Revenue.

External Interest and Dividends Paid:

The variance is due to interest charged on Overdue Creditors and Interest on Finance Lease was not budgeted for.

VAT Payable:

The variance is due to V.A.T Payable not budgeted for.

Purchase of Property, Plant and Equipment:

The underspending of projects relate to various Capital Programmes , with the budget rollover to 2019/20 for implementation of the projects. The budget rollover was approved by Council on 15 August 2019. This is also influenced by the underspending of the Water Services Infrastructure Grant.

Proceeds on Disposal of Property, Plant and Equipment:

Proceeds on Disposal of Property, Plant and Equipment was not budgeted for.

Decrease / (Increase) in Long-term Receivables:

No budget provision made for Long-term Receivables.

Loans repaid:

Repayment of borrowings were lower than anticipated.

Cash and Cash Equivalents at End of the Year:

All above-mentioned items are reflecting in Cash and Cash Equivalents at End of the Year.

RECONCILIATION OF BUDGET SURPLUS/(DEFICIT) WITH THE SURPLUS/(DEFICIT) IN THE STATEMENT OF FINANCIAL PERFORMANCE:

Description	2018/19		2017/18
	R		R
Net surplus/(deficit) per the statement of financial performance	**59 138 891**		**2 406 899**
Revenue from Non-exchange Transactions			
Property Rates	379 461		(54 803)
Fines, Penalties and Forfeits	(17 103 832)		(30 870 029)
Licences and Permits	(4 832 573)		(3 547 988)
Transfers and Subsidies	97 873 261		2 476 227
Surcharges and Taxes	-		-
Interest, Dividends and Rent on Land Earned	84 483		2 374 064
Revenue from Exchange Transactions			
Licences and Permits	3 553 425		2 277 011
Service Charges	(2 954 091)		9 741 544
Sales of Goods and Rendering of Services	(1 545 908)		(292 476)
Rental from Fixed Assets	2 434 264		1 159 943
Interest, Dividends and Rent on Land Earned	(4 194 132)		(1 565 851)
Operational Revenue	(549 618)		537 824
Expenditure			
Employee Related Costs	1 485 400		(3 267 474)
Remuneration of Councillors	(40 540)		(44 735)
Depreciation and Amortisation	498 683		(10 112 349)
Impairment Losses	9 614 305		11 481 935
Finance Costs	3 617 153		5 476 935
Bulk Purchases	(2 948 237)		(8 034 921)
Contracted Services	(5 402 310)		(7 478 738)
Inventory Consumed	(134 601)		(6 810 379)
Grants and Subsidies Paid	-		342 740
Operating Leases	(1 643 862)		(806 226)
Operational Costs	(4 587 499)		2 284 485
Loss on Disposal of Property, Plant and Equipment	750 454		1 591 775
Net surplus/(deficit) per approved budget	**133 492 578**		**(30 734 587)**

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an Accrual Basis of accounting and are in accordance with the historical cost convention, except where indicated otherwise.

The Annual Financial Statements have been prepared in accordance with Standards of Generally Recognised Accounting Practices (GRAP), as approved by the Minister of Finance, including any interpretations, guidelines and directives issued by the Accounting Standards Board and in accordance with the requirements of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).

The municipality implemented the Municipal Standard Chart of Accounts (mSCOA) during the year ended 30 June 2018 as required in terms of the Municipal Regulations on the Standard Chart of Accounts, announced in Government Gazette No 37577 of 22 April 2014, in accordance with section 168 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) and through directives and guidelines from National Treasury.

1.1 Presentation Currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.2 Changes in Accounting Policy and Comparability

Accounting Policies have been consistently applied, except where otherwise indicated below.

For the years ended 30 June 2018 and 30 June 2019 the municipality has adopted the accounting framework as set out in paragraph 1 above. The details of any resulting changes in Accounting Policy and comparative restatements are set out below and in the relevant Notes to the Annual Financial Statements.

With the adoption of mSCOA the municipality reclassified certain balances in order to comply with the instruction notes issued. The result of the reclassification is set out below and in the relevant Notes to the Annual Financial Statements.

1.3 Critical Judgements, Estimations and Assumptions

In the application of the municipality's Accounting Policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimations that management have made in the process of applying the municipality’s Accounting Policies and that have the most significant effect on the amounts recognised in Annual Financial Statements:

1.3.1 Revenue Recognition

Accounting Policy 8.2 on Revenue from Exchange Transactions and Accounting Policy 8.3 on Revenue from Non-exchange Transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgement, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (*Revenue from Exchange Transactions*) and GRAP 23 (*Revenue from Non-exchange Transactions*). As far as Revenue from Non-exchange Transactions is concerned (see Basis of Preparation above), and, in particular, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.3.2 Impairment of Financial Assets

Accounting Policy 6.4 on Impairment of Financial Assets describes the process followed to determine the value at which Financial Assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial Assets recorded during the year is appropriate.

- Impairment of Trade Receivables:
  The calculation in respect of the impairment of Debtors is based on an assessment of the extent to which Debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

1.3.3 Useful lives of Property, Plant and Equipment, Intangible Assets and Investment Property

As described in Accounting Policies 2.3, 3.2 and 4.2, the municipality depreciates its Property, Plant & Equipment and Investment Property, and amortises its Intangible Assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The estimation of residual values of assets is based on management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

1.3.4 Impairment: Write-down of Property, Plant & Equipment, Intangible Assets, and Inventories

Accounting Policy 5 on Impairment of Assets, Accounting Policy 3.2 on Intangible Assets – Subsequent Measurement, Amortisation and Impairment and Accounting Policy 7.2 on Inventory – Subsequent Measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible Assets and write-down of Inventories to the lowest of Cost and Net Realisable Value or Current Replacement Cost.

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses. In particular, the calculation of the recoverable service amount for PPE and Intangible Assets and the Net Realisable Value for Inventories involves significant judgment by management.

Estimated impairments during the year to Inventory, Property, Plant and Equipment, and Intangible Assets are disclosed in Notes 2, 9 and 10 to the Annual Financial Statements, if applicable.

1.3.5 Water Inventory

The estimation of the Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir. Furthermore, the length and width of all pipes are also taken into account in determining the volume of water on hand at year-end. Refer to Accounting Policy 7.2.2

1.3.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 10.2, Employee Benefits – Post-employment Benefits, the municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.7 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring Provisions and when measuring Contingent Liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

1.3.8 Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant Notes to the Annual Financial Statements.

1.4 Going Concern Assumption

The Annual Financial Statements have been prepared on a *Going Concern Assumption* .

1.5 Standards, Amendments to Standards and Interpretations issued but not yet Effective

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting
- GRAP 20 Related Party Disclosures
- GRAP 32 Service Concession Arrangement Grantor
- GRAP 108 Statutory Receivables
- GRAP 109 Accounting by Principals and Agents
- IGRAP 17 Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset

The municipality applied the principles established in the following Standards of GRAP that have been issued but are not yet effective, in developing appropriate disclosure:

- GRAP 20 Related Party Disclosures

Management has considered all of the above-mentioned GRAP Standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality, except for:

- GRAP 108 Statutory Receivables:-
  It is expected that the Standard will affect the valuation of Receivables from Non-Echange Transactions, but the extent cannot be determined at this stage.
- GRAP 109 Accounting by Principals and Agents:-
  The effect of this Standard on accounting for transactions between the municpality, another function of government or private sector and third parties, can only be determined once it becomes effective.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, Plant and Equipment are initially recognised at cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

2.2 Subsequent Measurement

Subsequently all Property Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

2.3 Depreciation

Depreciation on assets other than land is calculated on cost, using the *Straight-line Method*, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. Each part of an item of Property, Plant and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

	Asset Class	Years		Asset Class	Years
	Buildings			**Community**	
	Improvements	5 - 50		Community Facilities	5 - 50
				Recreational Facilities	10 - 40
	Infrastructure				
	Electricity	10 - 80		**Other**	
	Railways	30		Computer Equipment	3 - 10
	Roads and Paving	5 - 80		Emergency Equipment	5 - 10
	Sanitation	5 - 80		Furniture and Fittings	5 - 15
	Sewerage / Solid Waste	5 - 80		Motor Vehicles	7 - 15
	Water	5 - 80		Office Equipment	3 - 15
	Landfill Sites	30 - 50		Plant and Equipment	2 - 20
				Other Assets	5 - 15

2.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

2.5 Incomplete Construction Work

Incomplete Construction Work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.6 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as Property, Plant and Equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.7 Derecognition

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. Gains are not classified as Revenue.

2.8 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance are classified and recognised as Intangible Assets.

Intangible Assets are initially recognised at cost.

Where an Intangible Asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an Intangible Asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

3.2 Subsequent Measurement, Amortisation and Impairment

After initial recognition, Intangible Assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged on a *Straight-line Method* over the Intangible Assets' useful lives. The residual value of Intangible Assets with finite useful lives is zero, unless an active market exists. Where Intangible Assets are deemed to have indefinite useful lives, such Intangible Assets are not amortised. However, such Intangible Assets are subject to an annual impairment test.

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

	Asset Class	Years
	Computer Software Purchased	3 - 5

3.3 Derecognition

The gain or loss arising from the derecognition of an item of Intangible Asset is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

4. INVESTMENT PROPERTY

4.1 Initial Recognition

At initial recognition, the municipality measures Investment Property at cost. However, where an Investment Property was acquired through a non-exchange transaction (i.e. where it acquired the Investment Property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Repairs and Maintenance are expenses incurred through servicing equipment or repairing of existing assets. These expenses are not recognised in the carrying value of the asset, but directly recognised in Surplus or Deficit and measured at cost against the attributing segments of the Municipal Standard Chart of Accounts (mSCOA).

4.2 Subsequent Measurement

Investment Property is measured using the *Cost Model* and is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the *Straight-line Method* over the useful life of the property, which is estimated at 5 - 50 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The gain or loss arising on the disposal of an Investment Property is recognised in Surplus or Deficit.

4.3 Derecognition

The gain or loss arising from the derecognition of an item of Investment Property is included in Surplus or Deficit when the item is derecognised. Gains are not classified as Revenue.

5. IMPAIRMENT OF ASSETS

The municipality classifies all assets held with the primary objective of generating a commercial return as *Cash Generating Assets* . All other assets are classified as *Non-cash Generating Assets* .

5.1 Impairment of Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

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 recoverable amount of the cash generating unit to which the asset belongs is determined.

The 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.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

5.2 Impairment of Non-cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

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

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

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 had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in Surplus or Deficit.

6. FINANCIAL INSTRUMENTS

The municipality has various types of Financial Instruments and these can be broadly categorised as *Financial Assets* , *Financial Liabilities* or *Residual Interests* in accordance with the substance of the contractual agreement.

Initial Recognition
Financial Assets and Financial Liabilities are recognised when it becomes party to the contractual provisions of the instrument.

The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fair Value Methods and Assumptions
The fair values of Financial Instruments are determined as follows:

- The fair values of quoted investments are based on current bid prices.
- If the market for a Financial Asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.1 Financial Assets – Classification

The municipality has the following types of Financial Assets:

Type of Financial Asset	Classification in terms of GRAP 104
Long-term Receivables	Financial Assets at Amortised Cost
Receivables from Exchange Transactions	Financial Assets at Amortised Cost
Receivables from Non-exchange Transactions	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Investment Deposits	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Bank	Financial Assets at Amortised Cost
Bank, Cash and Cash Equivalents – Cash	Financial Assets at Fair Value
Current Portion of Long-term Receivables	Financial Assets at Amortised Cost

Cash includes cash-on-hand (including petty cash) and cash with banks (including call deposits). For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts.

6.2 Financial Liabilities – Classification

The municipality has the following types of Financial Liabilities:

Type of Financial Liability	Classification in terms of GRAP 104
Long-term Liabilities	Financial Liabilities at Amortised Cost
Payables from Exchange Transactions	Financial Liabilities at Amortised Cost
Payables from Non-exchange Transactions	Financial Liabilities at Amortised Cost
Current Portion of Long-term Liabilities	Financial Liabilities at Amortised Cost

6.3 Initial and Subsequent Measurement

6.3.1 Financial Assets:

Financial Assets measured at Amortised Cost
Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the *Effective Interest Method* less any impairment, with interest recognised on an *Effective Yield Basis* .

Financial Assets measured at Fair Value

Financial Assets at Fair Value are initially measured at fair value, excluding directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in Surplus or Deficit.

6.3.2 Financial Liabilities:

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as *Other Financial Liabilities* (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest-bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the *Effective Interest Rate Method* . Interest expense is recognised in Surplus or Deficit by applying the effective interest rate.

Bank Borrowings, consisting of interest-bearing short-term bank loans, repayable on demand and overdrafts are recorded at the proceeds received. Finance costs are accounted for using the *Accrual Basis* and are added to the carrying amount of the bank borrowing to the extent that they are not settled in the period that they arise.

Prepayments are carried at cost less any accumulated impairment losses.

6.4 Impairment of Financial Assets

Financial Assets, other than those at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised through the use of an allowance account.

6.4.1 Financial Assets at Amortised Cost

A provision for impairment of Accounts Receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The provision is made whereby the recoverability of accounts receivable is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The amount of the provision is the difference between the Financial Asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Future cash flows in a group of Financial Assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Cash flows relating to short-term receivables are not discounted where the effect of discounting is immaterial.

Government accounts are not provided for as such accounts are regarded as receivable for the following reasons:

- It is management's judgement that the accounts are not "lost events" in terms of GRAP 104.58.
- State Departments and Entities have to pay their creditors within 30 days in terms of the PFMA.
- Interest is charged on all oustanding balances at a rate of the banker's prime rate plus 1%.
- There is an urge from National Treasury that State Departments and Entities should start paying their outstanding debt.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in Surplus or Deficit.

6.5 Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

6.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

The municipality recognises the difference between the carrying amount of the 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, in Surplus or Deficit.

7. INVENTORIES

7.1 Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

7.2 Subsequent Measurement

7.2.1 Consumable Stores

Inventories sold are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the *weighted average Method* .

Consumable stores distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and current replacement cost (the cost the municipality would incur to acquire the asset on the reporting date). The cost is determined using the *weighted average Method* .

7.2.2 Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position.

The basis of determining the cost of water purchased and not yet sold at reporting date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates.

Water and purified effluent are valued by using the *FIFO Method* , at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

8. REVENUE RECOGNITION

8.1 General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

8.2 Revenue from Exchange Transactions

8.2.1 Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to all properties that have improvements. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property.

In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8.2.2 Prepaid Electricity

Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale. Revenue from the sale of electricity prepaid meter cards are recognised based on an estimate of the prepaid electricity consumed as at the reporting date.

8.2.3 Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

8.2.4 Interest Earned

Interest earned on investments is recognised in Surplus or Deficit on the *Time-proportionate Basis* that takes into account the effective yield on the investment.

8.2.5 Tariff Charges

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

8.2.6 Revenue from Agency Services

Revenue for agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

8.2.7 Sale of Goods (including Houses)

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

(a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
(b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) The amount of revenue can be measured reliably;
(d) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

8.3 Revenue from Non-exchange Transactions

8.3.1 Rates and Taxes

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a *Time-proportionate Basis* with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue.

8.3.2 Fines

Fines constitute both spot fines and summonses

Revenue for fines is recognised when the fine is issued at the full amount of the receivable. The municipality uses estimates to determine the amount of revenue that the municipality is entitled to collect that is subject to further legal proceedings.

8.3.3 Public Contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

9.3.2 Other Donations and Contributions

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are available for use.

8.3.4 Government Grants and Receipts

Equitable share allocations are recognised in revenue at the start of the financial year if no time-based restrictions exist.

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.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in Surplus or Deficit in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in Surplus or Deficit.

8.3.5 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised as revenue when the recovery thereof from the responsible councillors or officials became virtually certain in a financial period subsequent to the period when the actual unauthorised, irregular, fruitless and wasteful expenditure was incurred.

9. PROVISIONS

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in Surplus or Deficit as a finance cost as it occurs.

9.1 Provision for Environmental Rehabilitation

Estimated long-term environmental provisions, comprising rehabilitation and landfill site closure, are based on the municipality's policy, taking into account current technological, environmental and regulatory requirements. The provision for rehabilitation is recognised as and when the environmental liability arises. To the extent that the obligations relate to the asset, they are capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to Surplus or Deficit.

10. EMPLOYEE BENEFIT LIABILITIES

10.1 Short-term Employee Benefits

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

10.2 Post-employment Benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

10.2.1 Defined Contribution Plans

The municipality’s contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in Surplus or Deficit in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

10.2.2 Defined Benefit Plans

Post-retirement Health Care Benefits
The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the municipality is associated, provide for continued membership.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the *Projected Unit Credit Method*, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

Long-service Allowance
The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality’s liability is based on an actuarial valuation. The *Projected Unit Credit Method* is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through Surplus or Deficit.

Provincially-administered Defined Benefit Plans
The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

The municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the *Projected Unit Credit Method*. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of the related pension liability.

Actuarial gains or losses are recognised immediately in Surplus or Deficit.

Past-service costs are recognised immediately in Surplus or Deficit.

11. LEASES

11.1 The Municipality as Lessee

11.1.1 Finance Leases

Property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are recognised at equal amounts. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments to the fair value of the asset, plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the *Effective Interest Rate Method*. Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

11.1.2 Operating Leases

The municipality recognises operating lease rentals as an expense in Surplus or Deficit on a *Straight-line Basis* over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability. Any lease incentives are included as part of the net consideration agreed.

11.2 The Municipality as Lessor

Amounts due from lessees under **Finance Leases** or instalment sale agreements are recorded as receivables at the amount of the municipality's net investment in the leases. Finance lease or instalment sale revenue is allocated to accounting periods so as to reflect a constant periodic rate of return on the municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental revenue from **Operating Leases** is recognised on a *Straight-line Basis* over the term of the relevant lease.

12. GRANTS-IN-AID

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

(a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
(b) Expect to be repaid in future; or
(c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in Surplus or Deficit as expenses in the period that the events giving rise to the transfer occurred.

13. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991).

14. UNAUTHORISED EXPENDITURE

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in Surplus or Deficit 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 Surplus or Deficit.

15. IRREGULAR EXPENDITURE

Irregular Expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality’s or Municipal Entities’ Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and Wasteful Expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in Surplus or Deficit 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 Surplus or Deficit.

17. MATERIAL LOSSES

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities.

Due to their significance, the complete calculation of water and electricity losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the F*irst-In-First-Out Method* as defined by GRAP 12 (*Inventories*).

18. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

19. COMMITMENTS

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in Surplus or Deficit, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

22. BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification.

The approved budget covers the period from 1 July 2018 to 30 June 2019.

23. CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy.

In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in notes to the Annual Financial Statements where applicable.

Correction of errors is applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.
Refer to Note 42 to the Annual Financial Statements for details of corrections of errors recorded during the period under review.

	2019	2018
	R	R

1. GENERAL INFORMATION

Kouga Municipality is a local government institution in Jeffreys Bay, Eastern Cape, and is one of seven local municipalities under the jurisdiction of the Sarah Baartman District Municipality. The address of its registered office and principal place of business are disclosed under "General Information" included in the Annual Financial Statements and in the introduction of the Annual Report. The principal activities of the municipality are disclosed in the Annual Report and are prescribed by the Municipal Finance Management Act (MFMA).

2. INVENTORIES

	2019 R	2018 R
Materials and Supplies	8 612 231	6 096 259
Water - at cost	637 127	549 039
Total Inventories	**9 249 357**	**6 666 181**

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

The cost of Inventories recognised as an expense during the period was R27,381,399 (2018: R20,594,170).

No Inventories have been pledged as collateral for Liabilities of the municipality.

3. RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2019	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Service Debtors:	159 715 605	111 436 400	48 279 205
Electricity	41 593 571	9 158 760	32 434 811
Refuse	37 976 403	36 373 742	1 602 661
Sewerage	21 272 093	18 951 140	2 320 953
Other Service Charges	4 375 677	3 296 280	1 079 398
Water	54 497 861	43 656 479	10 841 381
Other Receivables	140 060	-	140 060
Prepayments and Advances	5 205 016	22 000	5 183 016
Recoveries from Staff	188 443	22 000	166 443
Annual Licence Fees	2 731 573	-	2 731 573
Deposits for Land	2 285 000		2 285 000
Control, Clearing and Interface Accounts	490 922	-	490 922
Total Receivables from Exchange Transactions	**165 551 604**	**111 458 400**	**54 093 203**

As at 30 June 2018	**Gross Balances R**	**Provision for Impairment R**	**Net Balances R**
Service Debtors:	138 508 681	92 926 783	45 581 899
Electricity	30 664 656	9 333 292	21 331 364
Refuse	21 409 523	21 672 833	(263 311)
Sewerage	17 298 760	15 465 116	1 833 644
Other Service Charges	26 027 795	11 058 259	14 969 536
Water	43 107 946	35 397 282	7 710 665
Other Receivables	2 518	-	2 518
Prepayments and Advances	2 752 843	22 000	2 730 843
Recoveries from Staff	185 443	22 000	163 443
Annual Licence Fees	2 567 400	-	2 567 400
Deposits for Land			-
Control, Clearing and Interface Accounts	518 922	-	518 922
Total Receivables from Exchange Transactions	**141 782 964**	**92 948 783**	**48 834 181**

The municipality did not pledge any of its Receivables as security for borrowing purposes.

The fair value of Receivables was determined after considering the standard terms and conditions of agreements entered into between the municipality and Receivables as well as the current payment ratios of the municipality's Receivables.

3.1 Ageing of Receivables from Exchange Transactions

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Electricity:					
Gross Balances	14 364 309	13 139 589	2 279 686	11 809 987	41 593 571
Less: Provision for Impairment	925	96 589	54 392	9 006 855	9 158 760
Net Balances	**14 363 384**	**13 043 000**	**2 225 294**	**2 803 133**	**32 434 811**
Refuse:					
Gross Balances	234	3 903 507	1 611 247	32 461 414	37 976 403
Less: Provision for Impairment	2	5 372	880 215	35 488 152	36 373 742
Net Balances	**232**	**3 898 135**	**731 032**	**(3 026 737)**	**1 602 661**
Sewerage:					
Gross Balances	236	3 356 069	1 199 732	16 716 057	21 272 093
Less: Provision for Impairment	8	76 945	531 457	18 342 729	18 951 140
Net Balances	**227**	**3 279 124**	**668 275**	**(1 626 672)**	**2 320 953**
Other Service Charges:					
Gross Balances	81 101	20 667	109 282	4 164 628	4 375 677
Less: Provision for Impairment	40 550	7 215	52 696	3 195 818	3 296 279
Net Balances	**40 550**	**13 452**	**56 586**	**968 810**	**1 079 398**
Water:					
Gross Balances	1 988 539	5 277 651	2 441 130	44 790 541	54 497 861
Less: Provision for Impairment	166	144 153	1 114 465	42 397 696	43 656 480
Net Balances	**1 988 373**	**5 133 498**	**1 326 666**	**2 392 845**	**10 841 381**
Other Receivables:					
Gross Balances	140 060	-	-	-	140 060
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**140 060**	**-**	**-**	**-**	**140 060**
Prepayments and Advances:					
Gross Balances	5 205 016	-	-	-	5 205 016
Less: Provision for Impairment	22 000	-	-	-	22 000
Net Balances	**5 183 016**	**-**	**-**	**-**	**5 183 016**
Control, Clearing and Interface Accounts:					
Gross Balances	490 922	-	-	-	490 922
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**490 922**	**-**	**-**	**-**	**490 922**

As at 30 June 2019 Receivables of R54,093,203 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total Past Due
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	22 270 417	25 697 483	7 641 077	109 942 627	165 551 604
Less: Provision for Impairment	63 652	330 274	2 633 225	108 431 250	111 458 401
Net Balances	**22 206 765**	**25 367 208**	**5 007 853**	**1 511 377**	**54 093 203**

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Electricity:					
Gross Balances	17 580 303	2 132 100	1 099 125	9 853 129	30 664 656
Less: Provision for Impairment	74 652	14 768	1 126 016	8 117 856	9 333 292
Net Balances	**17 505 651**	**2 117 333**	**(26 892)**	**1 735 273**	**21 331 364**
Refuse:					
Gross Balances	1 307 831	1 138 209	905 598	18 057 884	21 409 523
Less: Provision for Impairment	3 920	805 487	1 019 149	19 844 278	21 672 833
Net Balances	**1 303 911**	**332 723**	**(113 551)**	**(1 786 394)**	**(263 311)**
Sewerage:					
Gross Balances	2 206 837	960 755	792 258	13 338 910	17 298 760
Less: Provision for Impairment	59 284	532 947	865 934	14 006 951	15 465 116
Net Balances	**2 147 553**	**427 808**	**(73 675)**	**(668 042)**	**1 833 644**
Other Service Charges:					
Gross Balances	12 959 024	544 952	612 911	11 910 909	26 027 795
Less: Provision for Impairment	348 417	233 166	474 857	10 001 819	11 058 259
Net Balances	**12 610 607**	**311 786**	**138 054**	**1 909 089**	**14 969 536**
Water:					
Gross Balances	8 865 925	1 958 629	1 830 218	30 453 174	43 107 946
Less: Provision for Impairment	122 617	1 171 971	2 037 869	32 064 825	35 397 282
Net Balances	**8 743 308**	**786 658**	**(207 652)**	**(1 611 650)**	**7 710 665**
Other Receivables:					
Gross Balances	2 518	-	-	-	2 518
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**2 518**	**-**	**-**	**-**	**2 518**
Prepayments and Advances:					
Gross Balances	2 752 843	-	-	-	2 752 843
Less: Provision for Impairment	22 000	-	-	-	22 000
Net Balances	**2 730 843**	**-**	**-**	**-**	**2 730 843**
Control, Clearing and Interface Accounts:					
Gross Balances	518 922	-	-	-	518 922
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**518 922**	**-**	**-**	**-**	**518 922**

As at 30 June 2018 Receivables of R48,834,181 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total Past Due
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	46 194 203	6 734 646	5 240 110	83 614 006	141 782 964
Less: Provision for Impairment	630 890	2 758 338	5 523 826	84 035 729	92 948 783
Net Balances	**45 563 313**	**3 976 308**	**(283 716)**	**(421 724)**	**48 834 181**

	2019 R	2018 R
3.2 Reconciliation of the Provision for Impairment		
Balance at beginning of year	92 948 783	81 975 108
Impairment Losses recognised	3 808 709	21 810 061
Impairment Losses reversed	14 700 908	(10 836 386)
Balance at end of year	**111 458 400**	**92 948 783**

In determining the recoverability of Receivables, the municipality has placed strong emphasis on verifying the indigent status of consumers. Provision for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months per service type. No further credit provision is required in excess of the Provision for Impairment.

No provision has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Consumer Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

3.3 Derecognition of Financial Assets

No Financial Assets have been transferred to other parties during the year.

4. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2019			
Property Rates	38 146 861	18 090 368	20 056 493
Fines	50 676 807	39 610 451	11 066 356
Total Receivables from Non-exchange Transactions	**88 823 668**	**57 700 819**	**31 122 849**

	Gross Balances R	Provision for Impairment R	Net Balances R
As at 30 June 2018			
Property Rates	35 843 253	16 017 170	19 826 082
Insurance Claims	(197 344)	-	(197 344)
Fines	34 620 208	29 000 102	5 620 106
Other Receivables	1 216 938	-	1 216 938
Total Receivables from Non-exchange Transactions	**71 483 054**	**45 017 273**	**26 465 782**

The municipality does not hold deposits or other security for its Receivables.

None of the Receivables have been pledged as security for the municipality's financial liabilities.

4.1 Ageing of Receivables from Non-exchange Transactions

As at 30 June 2019

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Property Rates:					
Gross Balances	8 152 808	1 410 596	796 727	27 786 729	38 146 861
Less: Provision for Impairment	3 862 827	668 345	377 492	13 181 704	18 090 368
Net Balances	**4 289 982**	**742 251**	**419 235**	**14 605 025**	**20 056 493**
Fines:					
Gross Balances	50 676 807	-	-	-	50 676 807
Less: Provision for Impairment	39 610 451	-	-	-	39 610 451
Net Balances	**11 066 356**	**-**	**-**	**-**	**11 066 356**

As at 30 June 2019 Receivables of R31,122,849 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	58 829 615	1 410 596	796 727	27 786 729	88 823 668
Less: Provision for Impairment	43 473 278	668 345	377 492	13 181 704	57 700 819
Net Balances	**15 356 337**	**742 251**	**419 235**	**14 605 025**	**31 122 849**

As at 30 June 2018

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
Property Rates:					
Gross Balances	6 919 874	1 323 652	712 068	26 887 658	35 843 253
Less: Provision for Impairment	3 037 176	594 017	319 556	12 066 421	16 017 170
Net Balances	**3 882 699**	**729 634**	**392 512**	**14 821 237**	**19 826 082**
Insurance Claims:					
Gross Balances	(197 344)	-	-	-	(197 344)
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**(197 344)**	**-**	**-**	**-**	**(197 344)**
Fines:					
Gross Balances	34 620 208	-	-	-	34 620 208
Less: Provision for Impairment	29 000 102	-	-	-	29 000 102
Net Balances	**5 620 106**	**-**	**-**	**-**	**5 620 106**
LGSETA Interns:					
Gross Balances	1 216 938	-	-	-	1 216 938
Less: Provision for Impairment	-	-	-	-	-
Net Balances	**1 216 938**	**-**	**-**	**-**	**1 216 938**

As at 30 June 2018 Receivables of R26,465,782 were past due but not impaired. The age analysis of these Receivables are as follows:

	Current	Past Due			Total
	0 - 30 days	*31 - 60 Days*	*61 - 90 Days*	*+ 90 Days*	
All Receivables:					
Gross Balances	42 559 676	1 323 652	712 068	26 887 658	71 483 054
Less: Provision for Impairment	32 037 278	594 017	319 556	12 066 421	45 017 273
Net Balances	**10 522 398**	**729 634**	**392 512**	**14 821 237**	**26 465 782**

	2019 R	2018 R

4.2 Reconciliation of Provision for Impairment

	2019 R	2018 R
Balance at beginning of year	47 090 470	29 260 982
Impairment Losses recognised	10 610 349	15 752 366
Impairment Losses reversed	-	3 925
		-
Balance at end of year	**57 700 819**	**45 017 273**

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. The Provision for Impairment was calculated after grouping all the financial assets of similar nature and risk ratings and assessing the recoverability.
No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable. The municipality holds collateral over these balances in the form of Rates Assessment Deposits / Guarantees, which are not covering the total outstanding debt and vacant property respectively.

5. VAT RECEIVABLE

	2019 R	2018 R
Vat Receivable	**46 795 893**	**22 713 472**

Vat is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS.
Furthermore, Vat is claimable on the payment basis.
No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. .

6. CASH AND CASH EQUIVALENTS

	2019 R	2018 R
Current Investments	200 626 600	90 054 858
Bank Accounts	13 600 946	4 259 846
Cash and Cash Equivalents	421	421
Total Bank, Cash and Cash Equivalents	**214 227 967**	**94 315 125**

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts.

6.1 Current Investment Deposits

	2019 R	2018 R
Call Deposits	200 626 600	90 054 858
Total Current Investment Deposits	**200 626 600**	**90 054 858**

Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 5.00 % to 10.00 % (2018: 5.00 % to 10.00 %) per annum.

	2019 R	2018 R
Deposits attributable to Unspent Conditional Grants	103 445 548	6 941 508
Deposits: General investments	97 181 052	83 113 350
Total Deposits attributable to Commitments of the Municipality	**200 626 600**	**90 054 858**

6.2 Bank Accounts

Cash in Bank	13 600 946	4 259 846
Total Bank Accounts	**13 600 946**	**4 259 846**

The Municipality has the following bank accounts:

Primary Bank Account

Cash book balance at beginning of year	4 259 846	5 694 930
Cash book balance at end of year	13 600 946	4 259 846

First National Bank - Jeffreys bay Branch-Account Number: 52540020791

Bank statement balance at beginning of year	524 889	783 359
Bank statement balance at end of year	11 217 561	524 889

First National Bank - Jeffreys bay Branch-Account Number: 52540033304

Bank statement balance at beginning of year	3 734 959	4 648 585
Bank statement balance at end of year	2 383 385	3 734 959

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances.

6.3 Cash and Cash Equivalents

Cash Floats and Advances	421	421
Total Cash on hand in Cash Floats, Advances and Equivalents	**421**	**421**

The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities.

No restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents.

	2019	2018
	R	R

7. OPERATING LEASE RECEIVABLES

Operating Leases are recognised on the straight-line basis as per the requirement of GRAP 13. In respect of Non-cancellable Operating Leases the following assets have been recognised:

Balance at beginning of year	269 124	281 727
Operating Lease - Straightlining	(34 759)	(12 603)
Total Operating Lease Receivables	**234 365**	**269 124**

7.1 Leasing Arrangements

The Municipality as Lessor:
Operating Leases relate to Property owned by the municipality with lease terms of between 1 to 99 years, with an option to extend.

All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

7.2 Amounts receivable under Operating Leases

At the Reporting Date the following minimum lease payments were receivable under Non-cancellable Operating Leases for Property, Plant and Equipment, which are receivable as follows:

Up to 1 year	360 075	368 756
2 to 5 years	1 311 975	1 225 014
More than 5 years	-	148 262
Total Operating Lease Arrangements	**1 672 050**	**1 742 032**

The impact of charging the escalations in Operating Leases on a straight-line basis over the term of the lease has been an increase of R34,759 (2018: decrease of R12,603) in current year income.

8. CURRENT PORTION OF LONG-TERM RECEIVABLES

Staff Related Long Term Receivables	3 000	3 000
Total Current Portion of Long-term Receivables	**3 000**	**3 000**

9 PROPERTY, PLANT AND EQUIPMENT

30 June 2019

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Land-Fill Sites	Community	Other	Transport Assets	Leased Assets	Total
	R	R			R	R	R	R	R
Carrying values at 01 July 2018	**239 770 877**	**50 643 734**	**1 643 826 864**	**18 923 663**	**22 456 565**	**9 857 862**	**13 886 707**	**1 897 577**	**2 001 263 850**
Cost	239 770 877	51 894 187	2 166 324 886	43 024 031	24 044 983	30 419 333	42 332 242	4 687 823	2 602 498 362
- *Completed Assets*	*239 770 877*	*51 894 187*	*2 133 676 999*	*43 024 031*	*18 231 956*	*29 831 717*	*42 332 242*	*4 687 823*	*2 563 449 832*
- *Under Construction*	-	-	*32 647 887*	-	*5 813 027*	*587 615*	-	-	*39 048 530*
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(1 587 000)	(392 222)	(574 955)	-	(2 554 177)
Accumulated Depreciation:	-	(1 250 453)	(522 498 021)	(24 100 368)	(1 418)	(20 169 248)	(27 870 581)	(2 790 245)	(598 680 335)
- *Cost*	-	*(1 250 453)*	*(522 498 021)*	*(24 100 368)*	*(1 418)*	*(20 169 248)*	*(27 870 581)*	*(2 790 245)*	*(598 680 335)*
- *Revaluation*	-	-	-	-	-	-	-	-	-
Acquisition of Assets									
- Cost	-	(476 443)	196 083	-	-	5 865 236	5 513 711	480 038	11 578 624
- Capital Under Construction	-	-	82 734 553	-	-	-	-	-	82 734 553
- Revaluation	-	-	-	-	-	-	-	-	-
Decommisioning and other Liabilities	-	-	-	(60 260)	-	-	-	-	(60 260)
Increases/Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Depreciation:	-	(552 769)	(65 167 426)	(2 854 033)	(11 249)	(3 024 327)	(3 685 074)	(423 868)	(75 718 745)
- *Based on Cost*	-	*(552 769)*	*(65 167 426)*	*(2 854 033)*	*(11 249)*	*(3 024 327)*	*(3 685 074)*	*(423 868)*	*(75 718 745)*
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	(29 491)	-	-	(64 445)	(27 981)	-	(121 916)
- Cost	-	-	(43 545)	-	-	(163 183)	(177 426)	-	(384 154)
- Accumulated Depreciation	-	-	14 054	-	-	98 738	149 446	-	262 238
Impairment Losses	-	(879 000)	-	-	-	-	-	-	(879 000)
Capital under Construction - Completed	-	-	(22 565 974)	-	-	-	-	-	(22 565 974)
Other Movements	-	2 188 163	20 377 811	-	-	-	-	-	22 565 974
- Cost	-	2 188 163	20 377 811	-	-	-	-	-	22 565 974
Carrying values at 30 June 2019	**239 770 877**	**50 923 685**	**1 659 372 420**	**16 009 370**	**22 445 317**	**12 634 326**	**15 687 363**	**1 953 747**	**2 018 797 106**
Cost	239 770 877	53 605 907	2 247 023 813	42 963 772	24 044 983	36 121 386	47 668 527	5 167 861	2 696 367 125
- *Completed Assets*	*239 770 877*	*53 605 907*	*2 154 207 348*	*42 963 772*	*18 231 956*	*35 533 770*	*47 668 527*	*5 167 861*	*2 597 150 017*
- *Under Construction*	-	-	*92 816 465*	-	*5 813 027*	*587 615*	-	-	*99 217 108*
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	(879 000)	-	-	(1 587 000)	(392 222)	(574 955)	-	(3 433 177)
Accumulated Depreciation:	-	(1 803 223)	(587 651 394)	(26 954 401)	(12 666)	(23 094 837)	(31 406 209)	(3 214 113)	(674 136 842)
- *Cost*	-	*(1 803 223)*	*(587 651 394)*	*(26 954 401)*	*(12 666)*	*(23 094 837)*	*(31 406 209)*	*(3 214 113)*	*(674 136 842)*
- *Revaluation*	-	-	-	-	-	-	-	-	-

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

30 June 2018

Reconciliation of Carrying Value

Description	Land	Buildings	Infrastructure	Land-Fill Sites	Community	Other	Transport Assets	Leased Assets	Total
	R	R			R	R	R	R	R
Carrying values at 01 July 2017	**237 312 877**	**51 196 504**	**1 677 578 382**	**22 950 734**	**17 894 500**	**6 297 951**	**10 059 260**	**4 603 826**	**2 027 894 034**
Cost	237 312 877	51 894 187	2 137 900 489	43 008 767	17 894 500	25 212 554	35 800 999	8 035 195	2 557 059 569
- *Completed Assets*	*237 312 877*	*51 894 187*	*2 062 059 447*	*43 008 767*	*17 894 500*	*25 212 554*	*35 800 999*	*8 035 195*	*2 481 218 527*
- *Under Construction*	-	-	*75 841 042*		-	-	-	-	*75 841 042*
Accumulated Impairment Losses	-	-	-		-	(392 222)	(574 955)	-	(967 177)
Accumulated Depreciation:	-	(697 684)	(460 322 107)	(20 058 033)	-	(18 522 380)	(25 166 785)	(3 431 369)	(528 198 358)
- *Cost*	-	*(697 684)*	*(460 322 107)*	*(20 058 033)*	-	*(18 522 380)*	*(25 166 785)*	*(3 431 369)*	*(528 198 358)*
- *Revaluation*	-	-	-		-	-	-	-	-
Decommisioning and other Liabilities	-	-	-	15 264	-	-	-	-	15 264
Acquisition of Assets									
- Cost	2 458 000	-	5 231 885	-	337 456	4 936 238	6 953 059	-	19 916 637
- Capital Under Construction	-	-	29 047 570	-	6 150 483	587 615	-	-	35 785 668
- Revaluation	-	-	-	-	-	-	-	-	-
Increases/Decreases in Revaluation	-	-	-	-	-	-	-	-	-
Depreciation:	-	(552 769)	(62 379 627)	(4 042 335)	(1 418)	(1 903 511)	(2 973 233)	(1 608 542)	(73 461 435)
- *Based on Cost*	-	*(552 769)*	*(62 379 627)*	*(4 042 335)*	*(1 418)*	*(1 903 511)*	*(2 973 233)*	*(1 608 542)*	*(73 461 435)*
- *Based on Revaluation*	-	-	-	-	-	-	-	-	-
Carrying value of Disposals:	-	-	(419 460)	-	-	(60 431)	(152 380)	(1 097 706)	(1 729 976)
- Cost	-	-	(623 172)	-	-	(317 074)	(421 816)	(3 347 372)	(4 709 434)
- Accumulated Depreciation	-	-	203 713	-	-	256 643	269 436	2 249 666	2 979 458
Impairment Losses	-	-	-	-	(1 587 000)	-	-	-	(1 587 000)
Capital under Construction - Completed	-	-	(72 240 725)	-	(337 456)	-	-	-	(72 578 180)
Other Movements	-	-	67 008 839	-	-	-	-	-	67 008 839
- Cost	-	-	67 008 839	-	-	-	-	-	67 008 839
Carrying values at 30 June 2018	**239 770 877**	**50 643 734**	**1 643 826 864**	**18 923 663**	**22 456 565**	**9 857 862**	**13 886 707**	**1 897 577**	**2 001 263 850**
Cost	239 770 877	51 894 187	2 166 324 886	43 024 031	24 044 983	30 419 333	42 332 242	4 687 823	2 602 498 362
- *Completed Assets*	*239 770 877*	*51 894 187*	*2 133 676 999*	*43 024 031*	*18 231 956*	*29 831 717*	*42 332 242*	*4 687 823*	*2 563 449 832*
- *Under Construction*	-	-	*32 647 887*	-	*5 813 027*	*587 615*	-	-	*39 048 530*
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated Impairment Losses	-	-	-	-	(1 587 000)	(392 222)	(574 955)	-	(2 554 177)
Accumulated Depreciation:	-	(1 250 453)	(522 498 021)	(24 100 368)	(1 418)	(20 169 248)	(27 870 581)	(2 790 245)	(598 680 335)
- *Cost*	-	*(1 250 453)*	*(522 498 021)*	*(24 100 368)*	*(1 418)*	*(20 169 248)*	*(27 870 581)*	*(2 790 245)*	*(598 680 335)*
- *Revaluation*	-	-	-	-	-	-	-	-	-

	2019	2018
	R	R

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

9.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

9.2 Carrying Amount of Property, Plant and Equipment retired from active use and not classified as a Discontinued Operation

No Property, Plant and Equipment were retired from active use and not classified as a Discontinued Operation during the financial year.

9.3 Assets pledged as security

The municipality did not pledge any of its assets as security.

9.4 Impairment of Property, Plant and Equipment

Impairment Losses on Property, Plant and Equipment to the amount of R0 (2018: R-1,587,000) has been recognised in operating surplus and are included in Impairment Losses in the Statement of Financial Performance as indicated in Note 33.

9.5 Change in Estimate - Useful Life of Property, Plant and Equipment reviewed

There were no changes in the estimated useful lives of assets of the municipality for the financial year.

9.6 Land and Buildings carried at Fair Value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

9.7 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

9.8 Compensation received for Losses

Compensation, included in Operating Surplus, was received from the municipality's insurers for Property, Plant and Equipment lost during the year:

	2019 R	2018 R
Compensation received from insurers	162 375	751 380
Carrying value of lost assets	(121 916)	(632 170)
Surplus / (Deficit) on Compensation received for Lost PPE	**40 459**	**119 209**

	2019 R	2018 R

9.9 Expenditure incurred to repair and maintain

The following specific costs included in the amount of repairs and maintenance were incurred by municipality during the reporting period:

	2019 R	2018 R
Capital Spares	-	9 649
Electrical Infrastructure	5 941 124	6 030 364
Roads Infrastructure	16 031 616	4 749 701
Sanitation Infrastructure	3 249 016	2 567 132
Solid Waste Disposal	84 147	-
Storm water Infrastructure	773 977	1 421 018
Water Supply Infrastructure	3 043 705	2 554 147
Biological or Cultivated Assets	-	78 844
Community Assets	2 920 636	1 944 922
Machinery and Equipment	364 780	47 862
Other Assets - Buildings	5 169 718	1 037 424
Transport Assets	8 680 420	7 798 372
	46 259 139	**28 239 435**

10 INTANGIBLE ASSETS

	2019 R	2018 R
At Cost less Accumulated Amortisation and Accumulated Impairment Losses	**243 850**	**301 768**

The movement in Intangible Assets is reconciled as follows:

	2019 R	2018 R
Carrying values at 01 July	**301 769**	**62 225**
Cost	575 905	190 905
Accumulated Amortisation	(274 136)	(128 680)
Acquisitions:	47 738	385 000
Purchased	47 738	-
Work-in-Progress	-	385 000
Amortisation:	(105 658)	(145 456)
Transfers:	-	-
At Cost	-	385 000
Work-in-Progress	-	(385 000)
Carrying values at 30 June	**243 850**	**301 769**
Cost	623 643	575 905
Accumulated Amortisation	(379 793)	(274 136)

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 32).

All of the municipality’s Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of the Intangible Assets of the municipality.

10.1 Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no such assets are regarded as having indefinite useful lives.

The useful lives of the Intangible Assets remain unchanged from the previous year.

10.2 Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

10.3 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

10.4 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

	2019 R	2018 R
11 INVESTMENT PROPERTY		
At Cost less Accumulated Depreciation	**242 551 944**	**242 551 944**
The movement in Investment Property is reconciled as follows:		
Carrying values at 1 July	**242 551 944**	**242 551 944**
Cost	242 551 944	242 551 944
Acquisitions during the Year	-	-
Carrying values at 30 June	**242 551 944**	**242 551 944**
Cost	242 551 944	242 551 944
Cost of Investment Property at 30 June	**242 551 944**	**242 551 944**

11.1 Investment Property carried at Fair Value

The municipality's Investment Properties are accounted for according to the cost model and therefore no fair value has been determined.

11.2 Work-in-Progress

The municipality had no capital projects for Investment Property which were not completed at year-end.

11.3 Delayed Projects

No projects that are currently in progress are experiencing significant delays. No projects for the period was halted.

11.8 Expenditure incurred to repair and maintain

No expenditure was incurred in the current or prior period to Repair and Maintain Investment Property

12 LONG-TERM RECEIVABLES

	2019 R	2018 R
Staff Related Long Term Receivables	16 000	19 000
Total Long Term Receivables	16 000	19 000
Less: Current Portion transferred to Current Receivables:-	3 000	3 000
Finance Lease Receivable	-	-
Staff Related Long Term Receivables	3 000	3 000
Staff Related Long Term Receivables	13 000	16 000
Non-Current Potion of Long Term Receivables	**13 000**	**16 000**

No Long-term Receivables have been pledged as security for the municipality's financial liabilities.

The management of the municipality is of the opinion that the carrying value of Long-term Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values due to the effect of discounting at market related rate not material.

13 CONSUMER DEPOSITS

	2019 R	2018 R
Electricity	10 563 805	9 640 934
Water	1 728 648	1 557 171
Other Deposits	5 085 670	4 042 764
Total Consumer Deposits	**17 378 122**	**15 240 869**

Consumer Deposits - Electricity and Water
Consumer Deposits are paid by consumers on application for new water and electricity connections. The deposits are repaid when the water and electricity connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account.

Other Deposits
Other Deposits relates to deposits for Building Plans and rental properties

No interest is paid on Consumer Deposits held.

14 PROVISIONS

	2019 R	2018 R
Performance Bonus	2 296 662	1 220 196
Current Portion of Employee Benefit Liabilities (See Note 18):	5 510 644	5 086 000
Post-retirement Medical Aid Benefits Liability	2 982 243	3 083 000
Long-term Service Liability	2 528 401	2 003 000
Current Portion of Non-Current Provisions (See Note 19):	21 841 494	18 198 414
Decommissioning, Restoration and Similar Liabilities: Landfill Sites	2 793 944	2 670 650
Decommissioning, Restoration and Similar Liabilities: Enviromental Clean-up	2 000 000	500 000
Ex-gratia Pension	21 048	61 000
Leave	17 026 502	14 966 764
Total Provisions	**29 648 800**	**24 504 611**

The movement in provisions is reconciled as follows:

Current Provisions:

Performance Bonus:

	2019 R	2018 R
Opening Balance	1 220 196	898 174
Increases	1 076 466	322 022
Balance at end of year	**2 296 662**	**1 220 196**

Performance Bonuses accrue to senior managers on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

	Medical Aid	Long-term Service
	R	R
30 June 2019		
Opening Balance	3 083 000	2 003 000
Current service cost	2 982 243	2 528 401
Actuarial loss/ (gain) recognised in the year	-	(2 003 000)
Balance at end of year	**2 982 243**	**2 528 401**

	Medical Aid	Long-term Service
	R	R
30 June 2018		
Opening Balance	2 776 000	1 606 000
Current service cost	3 083 000	2 003 000
Actual employer benefit payments	(2 776 000)	(1 606 000)
Balance at end of year	**3 083 000**	**2 003 000**

Current Portion of Non-Current Provisions:

Staff Benefit Provisions:

	Leave Provision	Ex-gratia Pension
	R	R
30 June 2019		
Opening Balance	14 966 764	61 000
Increases	2 059 738	21 048
Other Reductions	-	(61 000)
Balance at end of year	**17 026 502**	**21 048**

	Leave Provision	Ex-gratia Pension
	R	R
30 June 2018		
Opening Balance	14 561 561	61 000
Increases	405 203	61 000
Other Reductions	-	(61 000)
Balance at end of year	**14 966 764**	**61 000**

Other Operational Provisions:

	Decommission-ing of Landfill Sites	Environmental Clean-up
	R	R
30 June 2019		
Opening Balance	2 670 650	500 000
Increases	2 793 944	1 500 000
Reversals	(2 670 650)	-
Balance at end of year	**2 793 944**	**2 000 000**

	Decommission-ing of Landfill Sites	Environmental Clean-up
	R	R
30 June 2018		
Opening Balance	2 541 534	200 000
Increases	2 670 650	300 000
Reversals	(2 541 534)	-
Balance at end of year	**2 670 650**	**500 000**

15 PAYABLES FROM EXCHANGE TRANSACTIONS

	2019 R	2018 R
Advance Payments	14 956 402	16 129 451
Bonus	-	(86 664)
Other Payables	15 855 564	8 524 007
Retentions	2 539 496	2 743 214
Salary Related Payables	695 462	559 307
Trade Creditors	53 335 629	42 845 910
Total Payables	**87 382 553**	**70 715 226**

16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2019 R	2018 R
16.1 Conditional Grants from Government	**103 445 548**	**6 941 508**
District Municipalities	-	257 000
National Government	98 082 838	65 500
Provincial Government	5 362 711	6 619 008
Total Conditional Grants and Receipts	**103 445 548**	**6 941 508**

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

See Note 24 for the reconciliation of Grants from Government and Note 24 for the reconciliation of Other Conditional Receipts. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

17 LONG-TERM LIABILITIES

	2019 R	2018 R
Long-Term Liabilities	25 420 948	32 544 431
Development Bank of South Africa	23 089 162	30 266 608
Finance Lease Liability	2 331 786	2 277 822
Less: Current Portion transferred to Current Liabilities:-	(9 066 539)	(8 944 035)
Development Bank of South Africa	(7 998 872)	(7 179 508)
Finance Lease Liability	(1 067 666)	(1 764 527)
Non-Current Portion of Long-term Liabilities	**16 354 409**	**23 600 396**

17.1 Summary of Arrangements

The fixed term loan is over a period of 10 years was taken up with the Development Bank of Southern Africa to purchase heavy duty vehicles. In terms of the service level agreement, as amended, the loan will be repaid in monthly instalments at a interest rate of 11.18 %. Interest payments commenced on 30 June 2009.
The fair value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

17.2 Obligations under Borrowings

	2019 R	2018 R
Annuity and Bullet Loans	15 090 290	23 087 100
Current Portion transferred to Current Liabilities:-	7 998 872	7 179 508
Total Borrowings	**23 089 162**	**30 266 608**

17.3 Obligations under Leases

The obligations under Finance Leases are as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2019 R	2018 R	2019 R	2018 R
Amounts payable under finance leases:				
Within one year	1 330 082	2 138 905	1 067 666	1 764 526
In the second to fifth years, inclusive	1 458 151	534 726	1 264 123	513 300
	2 788 233	2 673 631	2 331 789	2 277 826
Less: Future Finance Obligations	456 444	395 806	-	-
Present Value of Minimum Lease Obligations	**2 331 789**	**2 277 825**	**2 331 789**	**2 277 826**

18 EMPLOYEE BENEFIT LIABILITIES

	2019 R	2018 R
Employee Benefit Liabilities	100 318 061	101 386 999
Post-retirement Health Care Benefits Liability	83 222 393	86 379 999
Post-retirement Ex-Gratia Benefits Liability	158 159	715 000
Long Service Awards Liability	16 937 509	14 292 000
Less: Current Portion of Employee Benefit Liabilities	(5 510 644)	(5 086 000)
Post-retirement Health Care Benefits Liability	(2 982 243)	(3 083 000)
Long Service Awards Liability	(2 528 401)	(2 003 000)
Non-Current Portion of Employee Benefit Liabilities	**94 807 417**	**96 300 999**

18.1 Post-retirement Health Care Benefits Liability

	2019	2018
Opening balance	86 379 999	82 973 999
Current service cost	(74 606)	12 041 000
Actual employer benefit payments	(3 083 000)	(8 635 000)
Balance at end of Year	83 222 393	86 379 999
Transfer to Current Provisions	2 982 243	3 083 000
Total Post-retirement Health Care Benefits Liability	**80 240 150**	**83 296 999**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Chanan Weiss, Arch Actuarial Consulting. The present value of the defined benefit obligations, and the related current service costs and past service costs, were measured using the Projected Unit Credit Method.

The members of the Post-employment Health Care Benefit Plan are made up as follows:

	2019	2018
In-service Members (Employees)	416	415
Continuation Members (Retirees, widowers and orphans)	69	70
Total Members	**485**	**485**

The liability in respect of past service has been estimated as follows:

	2019	2018
In-service Members	42 352 442	44 592 000
Continuation Members	40 869 951	41 787 999
Total Liability	**83 222 393**	**86 379 999**

	2019 R	2018 R

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Keyhealth
- LA Health
- Hosmed
- Samwumed

The Current-service Cost for the year ending 30 June 2019 is estimated to be R4 029 000, whereas the cost for the ensuing year is estimated to be R8 306 000 (30 June 2018: R3 864 000 and R8 101 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019	2018
Discount Rate	9.50%	9.79%
Health Care Cost Inflation Rate	6.92%	7.63%
Net Effective Discount Rate	2.41%	2.01%
Expected Retirement Age - Females	62	63
Expected Retirement Age - Males	62	63

Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	86 379 999	82 973 999
Interest cost	8 306 000	8 101 000
Current service cost	4 029 000	3 864 000
Benefits paid	(3 083 000)	(2 776 000)
Actuarial losses / (gains)	(12 409 606)	(5 783 000)
Total Recognised Benefit Liability	**83 222 393**	**86 379 999**

The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	83 222 393	86 379 999
Unfunded Accrued Liability	83 222 393	86 379 999
Total Benefit Liability	**83 222 393**	**86 379 999**

The history of fair values are as follows:

	2019 **R**	**2018** **R**	**2017** **R**	**2016** **R**	**2015** **R**
Present Value of Defined Benefit Obligation	83 222 393	86 379 999	82 973 999	80 918 999	75 054 000
Deficit	**83 222 393**	**86 379 999**	**82 973 999**	**80 918 999**	**75 054 000**

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	14 731 000	14 731 000
Effect on the defined benefit obligation	97 574 000	101 134 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	10 427 000	12 734 000
Effect on the defined benefit obligation	71 736 000	87 802 000

The municipality expects to make a contribution of R2,982,243 (2018: R3,083,000) to the Defined Benefit Plans during the next financial year.

Refer to Note 48, "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.2 Post-retirement Ex-Gratia Benefits Liability

Opening balance	776 000	803 000
Interest cost	-	73 000
Current service cost	(535 793)	61 000
Actual employer benefit payments	-	(122 000)
Actuarial loss/ (gain) recognised in the year	(61 000)	(39 000)
Balance at end of Year	179 207	776 000
Transfer to Current Provisions	(21 048)	(61 000)
Total Post-retirement Ex-Gratia Benefits Liability	**158 159**	**715 000**

The municipality provides certain post - retirement pension benefits to certain retired employees of the municipality. According to the rules of the pension fund, with which the municipality is associated, a member (whi is on the current Conditions of Service) on retirement, is entitled to certain pension benefits in which case the municipality is liable for pension payments to retired members for the remainder of their lives.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 Chanan Weiss, Arch Actuarial Consulting fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	7.71%	9.50%
Health Care Cost Inflation Rate	4.09%	6.51%
Net Effective Discount Rate	3.48%	2.81%
Expected Retirement Age - Females	62	63
Expected Retirement Age - Males	62	63

	2019 R	2018 R
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening balance	776 000	803 000
Interest cost	71 000	73 000
Benefits paid	(61 000)	(61 000)
Actuarial losses / (gains)	(606 793)	(39 000)
Total Recognised Benefit Liability	**179 207**	**776 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	179 207	776 000
Unfunded Accrued Liability	179 207	776 000
Total Benefit Liability	**179 207**	**776 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Interest cost	71 000	73 000
Actuarial losses / (gains)	(606 793)	(39 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**(535 793)**	**34 000**

The major categories of plan assets, and the expected rate of return at the balance sheet date for each category, are as follows:

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for the asset in the next twelve months.

The plan assets include ordinary shares of International GAAP Holdings Limited with a fair value of R0,38 million (2018: R0,38 million) and property occupied by a subsidiary of International GAAP Holdings Limited with a fair value of R0,62 million (2018: R0,62 million).

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	179 207	776 000	803 000	924 000	912 000
Deficit	**179 207**	**776 000**	**803 000**	**924 000**	**912 000**
Experienced adjustments on Plan Liabilities	(1 189)	(1 189)	2 356 040	41 820	6 739 754

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

	2019	2018
Increase:		
Effect on the aggregate of the current service cost and the interest cost	69 000	69 000
Effect on the defined benefit obligation	170 228	689 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	68 000	68 000
Effect on the defined benefit obligation	189 204	828 000

Refer to Note , "Multi-employer Retirement Benefit Information", to the Annual Financial Statements for more information regarding the municipality's other retirement funds that is Provincially and Nationally administered.

18.3 Long Service Awards Liability

	2019	2018
Opening Balance	14 292 000	13 110 000
Increases	4 648 509	2 788 000
Payments Made	(2 003 000)	(3 212 000)
Reversals	-	1 606 000
Balance at end of Year	16 937 509	14 292 000
Transfer to Current Provisions	(2 528 401)	(2 003 000)
Total Long Service Awards Liability	**14 409 108**	**12 289 000**

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Chanan Weiss, Arch Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

At year end, 857 (2018: 833) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2019 is estimated to be R 1 260 000, whereas the cost for the ensuing year is estimated to be R 1 114 000 (30 June 2018: R1 037 000 and R1 139 000 respectively).

The principal assumptions used for the purposes of the actuarial valuations were as follows:		
Discount Rate	8.03%	8.57%
Cost Inflation Rate	5.49%	5.31%
Net Effective Discount Rate	2.41%	2.13%
Expected Rate of Salary Increase	6.50%	6.31%
Expected Retirement Age - Females	62	63
Expected Retirement Age - Males	62	63
Movements in the present value of the Defined Benefit Obligation were as follows:		
Opening Balance	14 292 000	13 110 000
Increases	4 648 509	2 788 000
Payments Made	(2 003 000)	(3 212 000)
Reversals	-	1 606 000
Total Recognised Benefit Liability	**16 937 509**	**14 292 000**
The amounts recognised in the Statement of Financial Position are as follows:		
Present value of fund obligations	16 937 509	14 292 000
	16 937 509	14 292 000
Unfunded Accrued Liability	16 937 509	14 292 000
Total Benefit Liability	**16 937 509**	**14 292 000**
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	4 648 509	2 788 000
Interest cost	-	(3 212 000)
Total Post-retirement Benefit included in Employee Related Costs (Note 30)	**4 648 509**	**(424 000)**

The history of experienced adjustments is as follows:

	2019 R	2018 R	2017 R	2016 R	2015 R
Present Value of Defined Benefit Obligation	16 937 509	14 292 000	13 110 000	11 442 000	13 415 000
Deficit	**16 937 509**	**14 292 000**	**13 110 000**	**11 442 000**	**13 415 000**

The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	2 398 000	2 398 000
Effect on the defined benefit obligation	16 034 000	13 586 000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	2 399 000	2 399 000
Effect on the defined benefit obligation	17 944 000	15 704 000

The municipality expects to make a contribution of R2,528,401 (2018: R4,648,509) to the defined benefit plans during the next financial year.

19 NON-CURRENT PROVISIONS

Decommissioning, Restoration and Similar Liabilities: Landfill Sites	68 585 204	65 627 734
Provision for Environmental Cleanup	52 200	52 200
Total Non-current Provisions	**68 637 404**	**65 679 934**

The movement in Non-current Provisions are reconciled as follows:

Other Operational Provisions:

	Decommission-ing of Landfill Sites R	Environmental Cleanup R
30 June 2019		
Opening Balance	65 627 734	52 200
Increases	2 957 470	-
Balance at end of year	**68 585 204**	**52 200**

	Decommission-ing of Landfill Sites	Environmental Cleanup
	R	R
30 June 2018		
Opening Balance	62 413 610	52 200
Increases	3 214 124	-
Balance at end of year	**65 627 734**	**52 200**

20 ACCUMULATED SURPLUS

Accumulated Surplus / (Deficit) due to the results of Operations	2 190 611 741	2 131 472 850
Total Accumulated Surplus	**2 190 611 741**	**2 131 472 850**

Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

21 PROPERTY RATES

	Actual Levies	
	July 2019 R000's	**July 2018 R000's**
Property Rates Levies	184 331 308	160 619 768
Total Property Rates	**184 331 308**	**160 619 768**

21.1 Calculation of Cash Flow:

	2019	2018
	R	R
Property Rates Income	184 331 308	160 619 768
Opening Balance of Debtors: Assessment Rates	35 843 253	35 163 570
Closing Balance of Debtors: Assessment Rates	(38 146 861)	(35 843 253)
Amounts written-off as uncollectable	(101 147)	-
Total Receipts for Property Rates	**181 926 552**	**159 940 086**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The last valuation came into effect on 1 July 2018.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

An general rate is applied as follows to property valuations to determine property rates:
- Residential Properties: 0,0078 c/R (2017/18: 0,0072 c/R)
- Business Properties: 0,0081 c/R (2017/18: 0,0075 c/R)
- Agricultural Properties: 0,0020 c/R (2017/18: 0,0018 c/R)

A Rebate of R15,000 is received on all residential properties, private towns receives an additional 20% on property valuation and equitable share receipients receives an additional R85,000 rebate on property value.

22 FINES, PENALTIES AND FORFEITS

Traffic Fines	20 856 720	34 359 038
Municipal	4 221 605	3 447 452
Service Provider	16 635 116	30 911 585
Other Fines	477 063	473 434
Building	311 014	455 021
Overdue Books Fine	2 049	3 413
Pound Fees	164 000	15 000
Total Fines, Penalties and Forfeits	**21 333 783**	**34 832 471**

23 LICENCES AND PERMITS

Boat	3 928 170	3 887 761
Health Certificates	5 980	9 315
Road and Transport	11 693 690	9 507 011
Drivers Licence Application/Duplicate Drivers Licences	3 235 822	2 893 431
Drivers Licence Certificate	4 336 184	708 288
Learners Certificate	1 177 061	886 274
Motor Vehicle Licence	1 970 432	4 384 152
Operators and Public Drivers Permits	974 192	634 866
Trading	164 947	142 767
Total Licences and Permits	**15 792 788**	**13 546 854**

24 TRANSFERS AND SUBSIDIES RECEIVED

Capital Grants	94 020 455	37 950 709
Monetary Allocations	94 020 455	37 950 709
Operational Grants	122 879 370	108 897 379
Monetary Allocations	122 879 370	108 897 379
Total Government Grants and Subsidies	**216 899 825**	**146 848 088**

24.1 Capital Grants

	Monetary Allocations	
	2019	**2018**
District Municipalities	983 093	3 340 380
National Governments	93 037 362	30 102 329
Provincial Government	-	2 050 000
Total Capital Grants Received	**94 020 455**	**37 950 709**

24.2 Operational Grants

	Monetary Allocations	
	2019	**2018**
District Municipalities	3 332 186	2 353 315
National Governments	4 346 184	3 871 671
National Revenue Fund	113 151 000	102 637 393
Provincial Government	2 050 000	35 000
Total Operational Grants Received	**122 879 370**	**108 897 379**

24.3 Calculation of Cash Flow:

Government Grants and Subsidies Income	216 899 825	146 848 088
Opening Balance of Unspent Government Grants	(6 941 508)	(6 406 753)
Closing Balance of Unspent Government Grants	103 445 548	6 941 508
Total Receipts for Government Grants and Subsidies	**313 403 865**	**147 382 843**

24.4 Reconciliation per Grant Source

24.4.1 National Governments

Balance unspent at beginning of year	65 500	348 892
Current year receipts	194 639 000	32 974 000
Conditions met - transferred to Revenue	(96 621 662)	(33 257 392)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	**98 082 838**	**65 500**

24.4.2 Provincial Government

Balance unspent at beginning of year	6 876 008	6 120 831
Current year receipts	1 206 273	853 147
Conditions met - transferred to Revenue	(2 719 571)	(97 970)
Conditions still to be met - transferred to Liabilities (see Note 16)	**5 362 711**	**6 876 008**

24.5 Conditional Grants include:

24.6 National: EPWP Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 013 000	1 000 000
Conditions met - transferred to Revenue: Operating Expenses	(1 013 000)	(1 000 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	**-**	**-**

The Expanded Public Works Programme Grant was allocated to the municipality for environmental projects.
No funds has been withheld.

24.7 National: FMG Grant

Balance unspent at beginning of year	-	-
Current year receipts	1 770 000	1 700 000
Conditions met - transferred to Revenue: Operating Expenses	(1 770 000)	(1 700 000)
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	**-**	**-**

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. .

24.8 National: MIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	31 186 000	27 274 000
Conditions met - transferred to Revenue: Capital Expenses	(31 186 000)	(27 274 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	**-**	**-**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

24.9 National: WSIG Funds

Balance unspent at beginning of year	-	-
Current year receipts	151 228 000	-
Conditions met - transferred to Revenue: Capital Expenses	(53 210 662)	-
Other Adjustments/Refunds	-	-
Conditions still to be met - transferred to Liabilities (see Note 16)	**98 017 338**	**-**

The Water Services Infrastructure Grant is allocated to municipalities to assist in drought relief.

24.10 National: Department of economic development

Balance unspent at beginning of year	65 500	65 500
Conditions still to be met - transferred to Liabilities (see Note 16)	**65 500**	**65 500**

No funds have been withheld.

24.11 Provincial Government: Disaster

Balance unspent at beginning of year	-	-
Current year receipts	-	1 090 000
Conditions met - transferred to Revenue: Operating Expenses	-	(1 090 000)
Conditions still to be met - transferred to Liabilities (see Note 16)	**-**	**-**

No funds has been withheld.

24.12 National: Department Energy (INEP)

Balance unspent at beginning of year	-	283 392
Current year receipts	10 200 000	4 000 000
Conditions met - transferred to Revenue: Capital Expenses	(10 200 000)	(4 000 000)
Other Adjustments/Refunds	-	(283 392)
Conditions still to be met - transferred to Liabilities (see Note 16)	**-**	**-**

Expenses were incurred to promote rural development and upgrade electricity infrastructure. No funds have been withheld.

24.13 Provincial: Department Human Settlement (Houses)

Balance unspent at beginning of year	6 876 008	6 876 008
Current year receipts	1 206 273	-
Conditions met - transferred to Revenue: Operating Expenses	(2 719 571)	-
Conditions still to be met - transferred to Liabilities (see Note 16)	**5 362 711**	**6 876 008**

This grant is for the building of low cost housing. The municipality is only the agent of the department of human settlements for the construction of low cost houses. No funds have been withheld.

25 SERVICE CHARGES

Sale of Electricity	242 848 390	216 313 708
Sale of Water	75 590 711	64 068 053
Refuse Removal	50 819 126	42 155 385
Sewerage and Sanitation Charges	44 022 707	37 814 972
Total Service Charges	**413 280 935**	**360 352 117**

25.1 Calculation of Cash Flow:

Service Charges Income	413 280 935	360 352 117
Opening Balance of Debtors: Service Charges	141 782 964	124 435 221
Closing Balance of Debtors: Service Charges	(165 551 604)	(141 782 964)
Amounts written-off as uncollectable	(14 487 992)	(11 905 902)
Total Receipts for Service Charges	**375 024 303**	**331 098 472**

The amounts disclosed above for revenue from Service Charges are in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

26 SALES OF GOODS AND RENDERING OF SERVICES

Application Fees for Land Usage	428 178	72 779
Building Plan Approval	2 352 796	2 159 113
Camping Fees	2 050 842	2 306 098
Cemetery and Burial	322 105	391 669
Cleaning and Removal	2 631	1 704
Encroachment Fees	14 313	104 358
Fire Services	17 634	8 481
Legal Fees	182 591	1 635 154
Photocopies and Faxes	67 508	83 484
Removal of Restrictions	248 770	10 946
Sale of Goods	71 478	1 622 317
Scrap, Waste & Other Goods	765	-
Town Planning and Servitudes	79 276	299 631
Valuation Services	332 125	138 641
Total Sales of Goods and Rendering of Services	**6 171 011**	**8 834 374**

27 RENTAL FROM FIXED ASSETS

Straight-lined Operating Lease Revenue		
Other Fixed Assets	609 214	614 198
Property Plant and Equipment	609 214	614 198
Total Rental of Facilities and Equipment	**609 214**	**614 198**

Rental revenue earned on Facilities and Equipment is in respect of Non-financial Assets rented out.

28 INTEREST, DIVIDENDS AND RENT ON LAND EARNED

Non-exchange Receivables:		
Outstanding Billing Debtors	1 325 934	1 125 936
Total Non-exchange Interest Earned	**1 325 934**	**1 125 936**
External Investments:		
Bank Account	2 034 071	1 290 623
Investments	9 912 622	7 461 125
	11 946 693	**8 751 748**
Outstanding Exchange Receivables:		
Outstanding Billing Debtors	6 962 074	5 658 240
Total Exchange Interest Earned	**18 908 767**	**14 409 988**
Total Interest, Dividends And Rent On Land Earned	**20 234 700**	**15 535 924**

28.1 Calculation of Cash Flow:

Interest on Bank Accounts	2 034 071	1 290 623
Interest on Investments	9 912 622	7 461 125
Total Receipts for Interest Received	**11 946 693**	**8 751 748**

29 OPERATIONAL REVENUE

Commission	462 009	423 677
Insurance Refund	(230 171)	747 758
Skills Development Levy Refund	1 203 801	-
Staff Recoveries	18 485	95 945
Total Operational Revenue	**1 454 124**	**1 267 381**

29.1 Calculation of Cash Flow:

	2019 R	2018 R
Income from Operational Revenue	1 454 124	1 267 381
Minus: Insurance Payout	-	(747 758)
Income from Rental from Fixed Assets	609 214	614 198
Income from Sales of Goods and Rendering of Services	6 171 011	8 834 374
Income from Licences and Permits	15 792 788	13 546 854
Income from Fines, Penalties and Forfeits	21 333 783	34 832 471
Opening Balance of Debtors: Non-exchange Transactions	71 483 054	60 262 631
Opening Balance of Debtors: Assessment Rates	(35 843 253)	(35 163 570)
Closing Balance of Debtors: Non-exchange Transactions	(88 823 668)	(71 483 054)
Closing Balance of Debtors: Assessment Rates	38 146 861	35 843 253
Movement of Fines Debtors	5 446 250	(25 099 061)
Opening Balance of Operating Lease Receivables	269 124	281 727
Closing Balance of Operating Lease Receivables	(234 365)	(269 124)
Opening Balance of Current Portion of Long-term Receivables	3 000	3 000
Closing Balance of Current Portion of Long-term Receivables	(3 000)	(3 000)
Opening Balance of Consumer Deposits	(15 240 869)	(13 567 024)
Closing Balance of Consumer Deposits	17 378 122	15 240 869
Total Receipts for Other Revenue	**37 942 178**	**24 394 165**

30 EMPLOYEE RELATED COSTS

Salaries and Wages		
Basic	165 865 539	145 973 947
Long Service Awards	946 433	825 217
Bonusses	1 076 466	324 579
Leave Payments	1 590 718	2 313 551
Overtime	26 376 406	20 434 525
Allowances		
Acting and Post Related Allowances	1 043 282	1 156 173
Bonus Allowance	12 116 643	11 300 437
Cellular and Telephone	7 500	26 059
Entertainment	-	-
Housing Benefits	952 831	1 838 206
Scarcity Allowance	-	-
Standby Allowance	6 117 348	4 733 327
Travel or Motor Vehicle	7 775 698	7 247 120
Uniform/Special/Protective Clothing	-	-
Voluntary Work	-	-
Social Contributions		
Bargaining Council	1 664 295	1 676 605
Group Life Insurance	5 762 048	5 053 315
Medical	14 432 761	13 472 307
Pension	26 001 803	23 404 067
Unemployment Insurance	1 477 783	1 436 555
Post-retirement Benefit		
Current Service Cost	4 029 000	3 864 000
Interest Cost	8 377 000	8 101 000
Actuarial (Gains) and Losses	(13 016 399)	(5 783 000)
Past Service Cost	(3 144 000)	(2 803 000)
Leave Payout	2 059 738	-
Long Term Service Awards	2 645 509	1 182 000
Total Employee Related Costs	**274 158 400**	**245 776 991**

30.1 Calculation of Cash Flow:

Employee Related Costs Expenditure	274 158 400	245 776 991
Opening Balance of Current Portion Employee Benefit Liabilities	20 113 764	19 004 561
Closing Balance of Current Portion Employee Benefit Liabilities	(22 558 194)	(20 113 764)
Opening Balance of Current Staff Benefit Provisions	1 220 196	898 174
Closing Balance of Current Staff Benefit Provisions	(2 296 662)	(1 220 196)
Opening Balance of Non-current Employee Benefit Liabilities	96 300 999	92 444 000
Closing Balance of Non-current Employee Benefit Liabilities	(94 807 417)	(96 300 999)
Movement in Staff Related Payables	(222 818)	(322 022)
Total Payments for Employee Related Costs	**271 908 268**	**240 166 744**

No advances were made to employees. Loans to employees are set out in Note 12.

Remuneration of Section 57 Employees:

Remuneration of the Municipal Manager: C Du Plessis		
Annual Remuneration	1 374 625	1 299 280
Car and Other Allowances	117 929	97 938
Company Contributions to UIF, Medical and Pension Funds	19 919	22 532
Total	**1 512 473**	**1 419 749**
Remuneration of the Chief Financial Officer: S Thys		
Annual Remuneration	1 283 246	1 217 437
Car and Other Allowances	111 583	109 000
Company Contributions to UIF, Medical and Pension Funds	19 142	19 482
Total	**1 413 971**	**1 345 919**
Remuneration of the Director: Community Services - N Machalesi		
Annual Remuneration	1 027 460	241 400
Car and Other Allowances	203 806	45 000
Company Contributions to UIF, Medical and Pension Funds	17 650	5 539
Total	**1 248 917**	**291 939**
Remuneration of the Director: Community Services - N Machalesi		
Acting Allowance	-	74 799
	-	**74 799**
Remuneration of the Acting Director: Community Services - G Louw		
Annual Remuneration	-	326 055
Car and Other Allowances	-	9 768
Company Contributions to UIF, Medical and Pension Funds	-	13 322
Total	**-**	**349 145**
Remuneration of Director: Infrastructure and Engineering - V Felton		
Annual Remuneration	1 111 460	1 044 161
Car and Other Allowances	119 588	123 784
Company Contributions to UIF, Medical and Pension Funds	16 774	16 639
Total	**1 247 822**	**1 184 584**
Remuneration of Director: Corporate Services - K Moodley		
Annual Remuneration	1 111 460	887 883
Car and Other Allowances	119 545	118 491
Company Contributions to UIF, Medical and Pension Funds	17 190	29 559
Total	**1 248 195**	**1 035 934**
Remuneration of Director: Planning, Development and Tourism - F Mabusela		
Annual Remuneration	1 027 460	143 246
Car and Other Allowances	248 187	34 000
Company Contributions to UIF, Medical and Pension Funds	18 607	18 392
Total	**1 294 253**	**195 638**
Summary of Remuneration of Section 57 Employees:		
All Managers	7 965 631	5 897 706
Total Remuneration of Section 57 Employees	**7 965 631**	**5 897 706**

31 REMUNERATION OF COUNCILLORS

Executive Mayor	731 462	604 077
Speaker	580 894	495 847
Executive Committee Members	2 678 819	2 724 077
Total for All Other Councillors	8 210 992	8 241 882
	12 202 166	**12 065 883**

In-kind Benefits

The Executive Mayor, Speaker and all the Mayoral committee members are full-time. The Mayor is provided with secretarial support and an office at the cost of the municipality.

	2019 R	2018 R
32 DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	75 731 632	73 472 345
Amortisation: Intangible Assets	124 187	145 456
Total Depreciation and Amortisation	**75 855 819**	**73 617 801**
33 IMPAIRMENT LOSSES		
Impairment Losses on Fixed Assets	-	1 587 000
Impairment Losses on Financial Assets	45 795 529	59 829 231
Fair Value Adjustments	(31 488)	62 545
Total Impairment Losses	**45 764 042**	**61 478 776**
34 INTEREST, DIVIDENDS AND RENT ON LAND PAID		
Interest Paid	6 637 780	9 245 059
Borrowings	3 020 625	3 775 682
Finance Leases	422 482	796 045
Interest costs non-current Provisions	3 141 024	3 312 712
Overdue Accounts	53 650	1 360 621
Total Interest, Dividends and Rent on Land	**6 637 780**	**9 245 059**
34.1 Calculation of Cash Flow:		
Interest Expenditure	6 637 780	9 245 059
Minus: Interest on Provisions	(3 141 024)	(3 312 712)
Minus: Interest on Overdue Accounts	(53 650)	(1 360 621)
Total Payments for Finance Costs	**3 443 107**	**4 571 726**
35 BULK PURCHASES		
Electricity	198 587 027	184 880 508
Water	35 940 380	32 707 822
Total Bulk Purchases	**234 527 407**	**217 588 330**
36 CONTRACTED SERVICES		
Outsourced Services	14 341 743	7 036 639
Consultants and Professional Services	11 757 972	10 340 310
Contractors	36 593 975	18 115 505
Total Contracted Services	**62 693 690**	**35 492 455**
36.1 Outsourced Services		
Animal Care	252 644	-
Burial Services	68 100	23 900
Business and Advisory	8 003 170	2 443 257
Catering Services	380 194	416 016
Cleaning Services	16 000	33 424
Drivers Licence Cards	719 467	323 257
Illegal Dumping	6 957	39 654
Internal Auditors	162 928	787 827
Litter Picking and Street Cleaning	1 396 380	40 591
Medical Services [Medical Health Services & Support]	444 612	400 959
Professional Staff	578 509	305 000
Refuse Removal	1 500	95 080
Security Services	1 030 799	591 860
Traffic Fines Management	1 174 493	1 427 767
Transport Services	105 989	108 047
	14 341 743	**7 036 639**
36.2 Consultants and Professional Services		
Business and Advisory	4 532 073	4 141 281
Infrastructure and Planning	1 066 000	1 456 570
Laboratory Services	662 321	564 758
Legal Cost	5 497 579	4 177 701
	11 757 972	**10 340 310**

	2019 R	2018 R
36.3 Contractors		
Artists and Performers	150 000	-
Auctioneers	7 832	-
Catering Services	2 000	-
Employee Wellness	188 963	4 580
Interior Decorator	10 564	8 426
Maintenance of Buildings and Facilities	7 213 609	1 973 118
Maintenance of Equipment	489 124	221 063
Maintenance of Unspecified Assets	28 442 883	15 893 662
Medical Services	19 800	-
Pest Control and Fumigation	30 400	10 850
Transportation	38 800	3 808
	36 593 975	**18 115 505**

36.4 Calculation of Cash Flow:

		2019 R	2018 R
Expenditure for Inventory Consumed	Note 37	27 381 399	20 594 170
Expenditure for Contracted Services	Note 36	62 693 690	35 492 455
Expenditure for Bulk Purchases	Note 35	234 527 407	217 588 330
Opening Balance of Payables: Exchange Transactions	Note 15	70 715 226	128 559 171
Closing Balance of Payables: Exchange Transactions	Note 15	(87 382 553)	(70 715 226)
Less: Non-Cash Correction of Error on Payables	Note 42	-	(55 810 973)
Opening Balance of Inventories	Note 2	(6 666 181)	(4 952 364)
Closing Balance of Inventories	Note 2	9 249 357	6 666 181
Total for Suppliers Paid		**310 518 346**	**277 421 744**

37 INVENTORY CONSUMED

	2019 R	2018 R
Consumables	7 999 136	7 402 856
Materials and Supplies	19 382 263	13 191 314
	27 381 399	**20 594 170**

38 TRANSFERS AND SUBSIDIES PAID

	2019 R	2018 R
Provincial Government	-	372 340
Total Transfers and Subsidies Paid	-	372 340

39 OPERATING LEASES

	2019 R	2018 R
Furniture and Office Equipment	5 783 199	-
Land	-	478 582
Machinery and Equipment	107 047	2 245 652
Other Assets	3 620 131	-
Transport Assets	-	1 300
Total for Operating Leases	**9 510 378**	**2 725 534**

40 OPERATIONAL COSTS

Included in General Expenses are the following:

	2019 R	2018 R
Achievements and Awards	823 472	1 608 413
Advertising, Publicity and Marketing	842 745	811 909
Assets less than the Capitalisation Threshold	4 207 680	-
Bank Charges, Facility and Card Fees	2 055 856	588 874
Bargaining Council	2 581 700	2 661 654
Commission	5 229 305	697 557
Communication	2 640 617	4 246 632
Contribution to Provisions	1 540 000	500 000
Courier and Delivery Services	52	33
Deeds	-	(56 050)
External Audit Fees	4 412 076	4 786 064
External Computer Service	5 857 285	3 889 707
Hire Charges	15 218 235	17 059 990
Insurance Underwriting	2 546 605	2 164 842
Licences	646 154	3 340 716
Management Fee	5 784 917	3 368 870
Municipal Services	4 477 544	4 880 801
Printing, Publications and Books	865 399	1 371 851
Professional Bodies, Membership and Subscription	15 625	11 911
Registration Fees	1 453 752	670 592
Remuneration to Ward Committees	2 407 538	1 133 615
Repayment of Forfeited Deposits	-	308 761
Resettlement Cost	198 261	61 729
Samples and Specimens	8 202	-
Search Fees	71 453	90 072
Signage	330 548	9 122
Skills Development Fund Levy	1 687 995	1 425 362
Travel and Subsistence	2 045 503	982 475
Uniform and Protective Clothing	2 057 843	1 321 475
Vehicle Tracking	584 079	571 836
Workmen's Compensation Fund	896 821	986 348
Total Operational Costs	**71 487 261**	**59 495 162**

40.1 Calculation of Cash Flow:

	2019 R	2018 R
Expenditure for Operational Costs	(71 487 261)	(59 495 162)
Expenditure for Operating Leases	(9 510 378)	(2 725 534)
Expenditure for Transfers and Subsidies Paid	-	(372 340)
Opening Balance of Current Other Operating Provisions	(3 170 650)	(2 741 534)
Closing Balance of Current Other Operating Provisions	4 793 944	3 170 650
Opening Balance of Non-current Other Operating Provisions	(65 679 934)	(62 465 810)
Closing Balance of Non-current Other Operating Provisions	68 637 404	65 679 934
Other non-cash movements	302 631	783 445
Total for Other Payments	**(76 114 244)**	**(58 166 352)**

40.2 Travel and Subsistence

	2019 R	2018 R
Domestic	**1 551 186**	**738 843**
Accommodation	350 645	293 569
Daily Allowance	19 137	19 013
Food and Beverage (Served)	203 909	-
Transport without Operator	808 300	296 731
Transport with Operator	169 195	129 529
Foreign	**261 538**	**-**
Accommodation	10 816	-
Daily Allowance	250 722	-
Non-employees	**232 779**	**243 632**
	2 045 503	**982 475**

41 GAINS / LOSSES ON DISPOSAL OF CAPITAL ASSETS

Property, Plant and Equipment	(750 454)	(1 591 775)
Total Losses on Disposal of Capital Assets	**750 454**	**1 591 775**

42 CORRECTION OF ERROR AND RECLASSIFICATION OF ACCOUNTS

A split between reclassifications and prior period errors are provided to ensure that a clear distinction is made between reclassification of items previously incorrectly disclosed within the Annual Financial Stateements, whilst items classified as errors are those items which were factual errors in the prior year, affecting the measurement of such items. The title reclassification does not exclude previous judgement errors, but is rather presented separately in order to allow users to understand that these changes were identified as a consequence an exercise to continiously review the accurate disclosure of the nature of transactions.

42.1 Correction of Prior Period Errors

42.2 Reclassification of Accumulated Surplus

The prior year figures of Accumulated Surplus has been restated to correctly disclose the monies held by the municipality in terms of the disclosure notes indicated below.

The effect of the changes are as follows:

		Accumulated Surplus
Balances previously published per AFS as at 30 June 2018		**2 101 010 573**
Correction of Error:-		
Restatement of Receivables from Exchange Transactions	(2 996 179)	
Restatement of Receivables from Non-Exchange Transactions	(51 382)	
Restatement of Property, Plant and Equipment	2 775 222	
Restatement of Payables from Exchange Transactions	55 909 416	
Investment Property incorrectly Capitalised	(25 174 800)	
Adjustment for Rounding Errors	-	30 462 277
Restatement of 2017/18 Financial Performance		4 385 202
Restatement of 2016/17 Accumulated Surplus		26 077 075
Restated Balances as at 30 June 2018		**2 131 472 850**

42.2.1 Correction of Revenue

The effect of the Corrections are as follows:

	Prior Year 2017/178 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2017/18
Property Rates	160 671 150	-	160 671 150	(51 382)	160 619 768
Fines, Penalties and Forfeits	34 832 471	-	34 832 471	-	34 832 471
Licences and Permits	13 546 854	-	13 546 854	-	13 546 854
Transfers and Subsidies	144 390 088	-	144 390 088	2 458 000	146 848 088
Interest, Dividends and Rent on Land Earned	1 125 936	-	1 125 936	-	1 125 936
Service Charges	363 348 296	-	363 348 296	(2 996 179)	360 352 117
Sales of Goods and Rendering of Services	8 834 374	-	8 834 374	-	8 834 374
Rental from Fixed Assets	614 198	-	614 198	-	614 198
Interest, Dividends and Rent on Land Earned	14 409 988	-	14 409 988	-	14 409 988
Operational Revenue	1 267 381	-	1 267 381	-	1 267 381
	743 040 736	**-**	**743 040 736**	**-589 561**	**742 451 175**

	Property Rates	Service Charges	Transfers and Subsidies
Balance previously reported	**160 671 150**	**363 348 296**	**144 390 088**
Restatement of incorrect prior billing	-51 382	-2 996 179	-
Recognition of donated Land	-	-	2 458 000
Restated Balance now reported	**160 619 768**	**360 352 117**	**146 848 088**

Property Rates and Service Charges
Prior year amounts for Property Rates and Service Charges has been restated to correctly disclose incorrect prior billings identified in the current year.

Transfers and Subsidies:
Prior period amounts for Transfers and Subsidies has been restated to accurately disclose a property that was donated to the municipality.

42.2.2 Correction of Expenditure

The effect of the Corrections are as follows:

	Prior Year 2017/178 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2017/18
Employee Related Costs	245 776 991	-	245 776 991	-	245 776 991
Remuneration of Councillors	12 065 883	-	12 065 883	-	12 065 883
Depreciation and Amortisation	73 526 682	-	73 526 682	91 119	73 617 801
Impairment Losses	61 478 776	-	61 478 776	-	61 478 776
Interest, Dividends and Rent on Land	14 324 358	-	14 324 358	(5 079 299)	9 245 059
Bulk Purchases	217 588 330	-	217 588 330	-	217 588 330
Contracted Services	35 492 455	-	35 492 455	-	35 492 455
Inventory Consumed	20 580 753	-	20 580 753	13 417	20 594 170
Transfers and Subsidies Paid	372 340	-	372 340	-	372 340
Operating Leases	2 725 534	-	2 725 534	-	2 725 534
Operational Costs	59 495 162	-	59 495 162	-	59 495 162
Loss on Disposal of PPE	1 591 775	-	1 591 775	-	1 591 775
	745 019 039	**-**	**745 019 039**	**-4 974 763**	**740 044 276**

	Interest, Dividends and Rent on Land	Depreciation and Amortisation	Inventory Consumed
Balance previously reported	**14 324 358**	**73 526 682**	**20 580 753**
Restatement of incorrect depreciation	-	91 119	-
Recognition of inventory consumed previously capitalised	-	-	13 417
Interest on Water Service Charges incorrectly raised	-5 079 299	-	-
Restated Balance now reported	**9 245 059**	**73 617 801**	**20 594 170**

Depreciation and Amortisation:
Prior year amounts for Depreciation and Amortisation has been restated to correctly disclose the depreciation effect of Property, Plant and Equipment restatements. Refer to Financial Position corrections below.

Inventory Consumed:
Prior year amounts for Inventory Consumed has been restated to correctly disclose the depreciation effect of Property, Plant and Equipment restatements. Refer to Financial Position corrections below.

Interest, Dividends and Rent on Land
Prior year amounts for Interest, Dividends and Rent on Land have been restated to correctly exclude an interest amount that was previously incorrectly raised on Water Service Charges.

42.2.3 Correction of Statement of Financial Position

The effect of the Correction of Error is as follows:

	Prior Year 2017/18 Audited	Reclassification	Reclassified Amount	Correction of Error	Restated Amount 2017/18
Current Assets					
Inventories	6 666 181		6 666 181	-	6 666 181
Receivables from Exchange Transactions	51 830 360		51 830 360	(2 996 179)	48 834 181
Receivables from Non-exchange Transactior	26 517 164		26 517 164	(51 382)	26 465 782
VAT Receivable	22 713 472		22 713 472	-	22 713 472
Cash and Cash Equivalents	94 315 125		94 315 125	-	94 315 125
Operating Lease Receivables	269 124		269 124	-	269 124
Current Portion of Long-term Receivables	3 000		3 000	-	3 000
Non-Current Assets					
Property, Plant and Equipment	1 982 603 128	15 885 500	1 998 488 628	2 775 222	2 001 263 850
Intangible Assets	301 768		301 768	-	301 768
Investment Property	283 612 244	(15 885 500)	267 726 744	(25 174 800)	242 551 944
Long-term Receivables	16 000		16 000	-	16 000
Current Liabilities					
Consumer Deposits	15 240 869		15 240 869	-	15 240 869
Provisions	24 504 611		24 504 611	-	24 504 611
Payables from Exchange Transactions	126 624 642		126 624 642	(55 909 416)	70 715 226
Unspent Conditional Grants and Receipts	6 941 508		6 941 508	-	6 941 508
Current Portion of Long-term Liabilities	8 944 035		8 944 035	-	8 944 035
Non-Current Liabilities					
Long-term Liabilities	23 600 396		23 600 396	-	23 600 396
Employee Benefit Liabilities	96 300 999		96 300 999	-	96 300 999
Non-current Provisions	65 679 934		65 679 934	-	65 679 934
Net Assets					
Accumulated Surplus / (Deficit)	2 101 010 573		2 101 010 573	30 462 277	2 131 472 850
	-	**-**	**-**	**-**	**-**

Opening balances and prior year amounts of items in the Statement of Financial Position have been restated as indicated below:

	Receivables from Exchange Transactions	Receivables from Non-exchange Transactions	Property, Plant and Equipment	Investment Property	Payables from Exchange Transactions
Restated Balance after Reclassifications	**51 830 360**	**26 517 164**	**1 982 603 128**	**283 612 244**	**126 624 642**
Relassification of Assets			15 885 500	-15 885 500	-
Correction of PPE Project			421 761	-	-
Recognition of donated Land			2 458 000		
Retention on PPE Project Correction			-	-	-98 443
Correction of Opening Balance of PPE			-104 538	-	-
Restatement of incorrect prior billing	-2996179	-51382			
Water and Interest incorrectly raised					-55 810 973
Investment Property incorrectly capitalised				-25 174 800	
Restated Balance now reported	**48 834 181**	**26 465 782**	**2 001 263 850**	**242 551 944**	**70 715 226**

Property, Plant and Equipment:

The prior period amounts for Property, Plant and Equipment has been restated to correctly disclose a project that was completed with the 2017/18 financial year, and previously incorrectly disclosed as Work in Progress.

Furthermore, the Prior Period amounts for Property, Pland and Equipment has also been restated to correctly disclose a property that was donanted to the municipality.

Investment Property

The Prior Period amounts for Investment Property has also been restated to correctly disclose a property that was donated to the municipality. Furthermore, Investment Property has been restated to correctly disclose an incorrect prior capitalisation amount of R25,174,800.

Payables from Exchange Transactions:

The prior period amounts for Payables from Exchange Transactions has been restated to disclose a reduction in Retentions owed due a capital project that was completed during the year, as indicated by the Property, Plant and Equipment corrections.

Furthermore, Payables have been restate to correct a Water and Interest account for which a Payable was incorrectly raised in the past.

Receivables from Exchange and Non-Exchange Transactions:

The prior period amounts for Receivables from Exchange and Non-Exchange Transactions have been restated to disclose incorrect billings in the prior period that has subsequently been identified and corrected.

43 CASH GENERATED BY OPERATIONS

	2019 R	2018 R
Surplus / (Deficit) for the Year	59 138 890	2 406 899
Adjustment for:		
Correction of Prior Year Errors	-	-
Non-Cash Interest on Debtors	-8 288 008	-6 784 176
Non-Cash Interest on Payables and Provisions	3 194 673	4 673 333
Depreciation and Amortisation	75 855 819	73 617 801
Less: Insurance Payout, classified as Investing Activities	-	-747 758
Interest on Finance Leases	-	-
Impairment Losses on Property, Plant and Equipment	45 764 042	61 478 776
Losses / (Gains) on Disposal of Property, Plant and Equipment	750 454	1 591 775
Movement in Current Employee Benefit Liabilities	2 444 430	1 109 203
Movement in Current Staff Benefit Provisions	1 076 466	322 022
Movement in Non-current Employee Benefit Liabilities	-1 493 582	3 857 000
Movement in Current Other Operating Provisions	1 623 294	429 116
Movement in Non-current Other Operating Provisions	2 957 470	3 214 124
Movement in Performance Bonus	222 818	322 022
Reversal of Fines Debtors prior year	5 446 250	-25 099 061
Bad Debts Written-off	-14 589 139	-11 905 902
Operating surplus before working capital changes	**174 103 877**	**108 485 174**
Decrease/(Increase) in Inventories	-2 583 176	-1 713 817
Decrease/(Increase) in Receivables from Exchange Transactions	-23 768 640	-17 347 743
Decrease/(Increase) in Receivables from Non-exchange Transactions	-17 340 613	-11 220 424
Decrease/(Increase) in VAT Receivable	-24 082 421	-11 424 658
Decrease/(Increase) in Operating Lease Receivables	34 759	12 602
Increase/(Decrease) in Consumer Deposits	2 137 254	1 673 845
Increase/(Decrease) in Payables from Exchange Transactions	16 667 327	-57 843 945
Less: Non-Cash Correction of Error on Payables	-	55 810 973
Increase/(Decrease) in Payables from Non-exchange Transactions	-	-0
Increase/(Decrease) in Conditional Grants and Receipts	96 504 040	534 755
Other non-cash movements	302 631	783 445
Cash generated by / (utilised in) Operations	**221 975 038**	**67 750 206**

44 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

44.1 Unauthorised Expenditure

Reconciliation of Unauthorised Expenditure:		
Opening balance	-	81 408 523
Approved by Council	-	(81 408 523)
Unauthorised Expenditure awaiting authorisation	**-**	**-**

44.2 Fruitless and Wasteful Expenditure

Reconciliation of Fruitless and Wasteful expenditure:		
Opening balance	35 839 929	35 338 187
Fruitless and Wasteful Expenditure current year	53 650	501 742
Expenditure investigated and approved by Council	(1 000 416)	-
Fruitless and Wasteful Expenditure awaiting write-off	**34 893 163**	**35 839 929**

Incident	Disciplinary Steps / Criminal Proceedings
Interest and penalties on late payment of trade creditors. - R53,650 (2018: R501,742)	*Currently None - subject to possible future investigation*

44.3 Irregular Expenditure

		Restated
Reconciliation of Irregular Expenditure:		
Opening balance	98 699 214	98 868 934
- As previously stated	98 699 214	98 868 934
Irregular Expenditure current year	7 660 307	2 399 573
- Current Year	7 660 307	2 399 573
Written off by Council	(36 425 426)	(2 569 294)
- Prior Year	(36 425 426)	(2 569 294)
Irregular Expenditure awaiting write-off	**69 934 096**	**98 699 214**

Incident	Disciplinary Steps / Criminal Proceedings
Invalid deviations - R2,191,131 (2018: R2,399,573)	*Still to be investigated.*
Expenditure Incurred in excess of contract award amount, in respect to the resealing of Roads. - R5,469,176 (2018: R0)	*Under Investigation by MPAC.*

45 ADDITIONAL DISCLOSURES IN TERMS OF APPLICABLE LEGISLATION

45.1 MUNICIPAL FINANCE MANAGEMENT ACT

45.1.1 Contributions to organised local government - SALGA

Opening Balance	-	-
Council Subscriptions	2 567 400	2 578 034
Amount Paid - current year	(2 567 400)	(2 578 034)
Amount Paid - previous years	-	-
Balance Unpaid (included in Creditors)	**-**	**-**

45.1.2 Audit Fees

Opening Balance	-	809 157
Current year Audit Fee	4 727 142	4 091 413
Amount Paid - current year	(4 727 142)	(4 900 570)
Amount Paid - previous years		
Balance Unpaid (included in Creditors)	**-**	**-**

45.1.3 VAT

The net of VAT input payables and VAT output receivables are shown in Note 5. All VAT returns have been submitted by the due date throughout the year.

45.1.4 PAYE, Skills Development Levy and UIF

Opening Balance	-	-
Current year Payroll Deductions	39 224 626	33 184 866
Amount Paid - current year	(39 224 626)	(33 184 866)
Balance Unpaid (included in Creditors)	**-**	**-**

45.1.5 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions and Council Contributions	63 008 498	57 001 741
Amount Paid - current year	(63 008 498)	(57 001 741)
Balance Unpaid (included in Creditors)	**-**	**-**

45.1.6 Councillor's arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at:

30 June 2019	**Total**	**Outstanding more than 90 days**
Councillor Februarie ER	136 085	136 085
Total Councillor Arrear Consumer Accounts	**136 085**	**136 085**

45.1.7 Non-Compliance with the Municipal Finance Management Act

No known matters existed at the reporting date.

45.1.8 Deviation from, and ratification of minor breaches of, the Procurement Processes

In terms of section 36(1) of the Municipal Supply Chain Management Policy approved by the Council, any deviation from the Supply Chain Management Policy needs to be approved / condoned by the Municipal Manager, noted by Council and bids where the formal procurement processes could not be followed must be noted in the Annual Financial Statements.

The following deviations from the tender stipulations in terms of the Municipality's Supply Chain Management Policy were ratified by the Municipal Manager and reported to Council:

30 June 2019

Department	Tenderer	Reason	Amount
Finance	Various (5)	Various reasons like impracticality/ urgency/ Continuity and alignment	436 988
Infrastructure & Engineering	Various (76)	Various reasons like impracticality/ urgency/ Preferred supplier	34 735 932
Corporate Services	Various (4)	Various reasons like impracticality/ urgency/ Sole Supplier	237 022
Office of MM	Various (6)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	349 257
Community Services	Various (35)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	8 646 986
Planning, Development & Tourism	Various (2)	Impracticality	212 290
		Total:	44 618 474

30 June 2018

Department	Tenderer	Reason	Amount
Finance	Various (3)	Various reasons like impracticality/ urgency/ Continuity and alignment	368 550
Infrastructure & Engineering	Various (66)	Various reasons like impracticality/ urgency/ Preferred supplier	8 653 678
Corporate Services	Various (7)	Various reasons like impracticality/ urgency/ Sole Supplier	255 125
Community Services	Various (15)	Various reasons like Sole Supplier impracticality/ urgency/ Preferred supplier	952 809
Planning, Development & Tourism	Various (2)	Impracticality	95 543
		Total:	10 325 705

45.1.9 Bulk Electricity and Water Losses in terms of Section 125 (2)(d)(i) of the MFMA

Material Electricity and Water Losses were as follows and are not recoverable:

Electricity:

		Lost Units	Tariff	Value
30 June 2019	Unaccounted Electricity Losses	28 653 364	1.1088	31 769 449
30 June 2018	Unaccounted Electricity Losses	21 681 312	1.0010	21 702 333

Electricity Losses occur due to *inter alia* , technical and non-technical losses (Technical losses - inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections). The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported.

	2019 R	2018 R
Volumes in kWh/year:		
System Input Volume	205 626 242	203 602 562
Billed Consumption	160 522 779	165 633 045
Unaccounted	45 103 464	37 969 517
Normal distribution losses - 8% of electricity purchases	16 450 099	(16 288 205)
	28 653 364	21 681 312
Percentage Distribution Loss	13.93%	10.65%

Water:

		Lost Units	Tariff	Value
30 June 2019	Unaccounted Water Losses	2 395 185	6.8000	16 287 258
30 June 2018	Unaccounted Water Losses	2 918 337	6.2700	18 297 975

Water Losses occur due to *inter alia* , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repaired as soon as they are reported.

	2019 R	2018 R
Volumes in Kl/year:		
System Input Volume	7 437 830	8 239 954
Billed Consumption	5 042 645	5 321 617
Distribution Loss	2 395 185	2 918 337
Percentage Distribution Loss	32.20%	35.42%

45.2 BROAD-BASED BALCK ECONOMIC EMPOWERMENT ACT

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

46 COMMITMENTS FOR EXPENDITURE

46.1 Capital Commitments

Commitments in respect of Capital Expenditure:		
- Approved and Contracted for:-	**117 567 900**	**54 598 299**
Infrastructure	112 182 669	44 956 275
Community	3 552 149	3 484 959
Other	1 833 083	6 157 066
This expenditure will be financed from:		
Internal and Grant funding	117 567 900	54 598 299
	117 567 900	**54 598 299**

The Capital Commitments are VAT inclusive.

47 FINANCIAL INSTRUMENTS

47.1 Classification

FINANCIAL ASSETS:
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:

Financial Assets	Classification		
Long-term Receivables			
Staff Related Long Term Receivables	Amortised cost	13 000	16 000
Receivables from Exchange Transactions			
Electricity	Amortised cost	32 434 811	21 331 364
Refuse	Amortised cost	1 602 661	(263 311)
Sewerage	Amortised cost	2 320 953	1 833 644
Other Service Charges	Amortised cost	1 079 398	14 969 536
Water	Amortised cost	10 841 381	7 710 665
Other Debtors	Amortised cost	140 060	2 518
Prepayments and Advances	Amortised cost	5 183 016	2 730 843
Control, Clearing and Interface Accounts	Amortised cost	490 922	518 922
Receivables from Non-exchange Transactions			
Property Rates	Amortised cost	20 056 493	19 826 082
Insurance Claims	Amortised cost	-	(197 344)
Fines	Amortised cost	11 066 356	5 620 106
LGSETA Interns	Amortised cost	-	1 216 938
Cash and Cash Equivalents			
Call Deposits	Amortised cost	200 626 600	90 054 858
Bank Balances	Amortised cost	13 600 946	4 259 846
Cash Floats and Advances	Fair value	421	421
Current Portion of Long-term Receivables			
Staff Related Long Term Receivables	Amortised cost	3 000	3 000

SUMMARY OF FINANCIAL ASSETS

Financial Assets at Amortised Cost:

Long-term Receivables	Staff Related Long Term Receivables	13 000	16 000
Receivables from Exchange Transactions	Electricity	32 434 811	21 331 364
Receivables from Exchange Transactions	Refuse	1 602 661	(263 311)
Receivables from Exchange Transactions	Sewerage	2 320 953	1 833 644
Receivables from Exchange Transactions	Other Service Charges	1 079 398	14 969 536
Receivables from Exchange Transactions	Water	10 841 381	7 710 665
Receivables from Exchange Transactions	Other Debtors	140 060	2 518
Receivables from Exchange Transactions	Prepayments and Advances	5 183 016	2 730 843
Receivables from Exchange Transactions	Control, Clearing and Interface Accounts	490 922	518 922
Receivables from Non-exchange Transactions	Property Rates	20 056 493	19 826 082
Receivables from Non-exchange Transactions	Insurance Claims	-	(197 344)
Receivables from Non-exchange Transactions	Fines	11 066 356	5 620 106
Receivables from Non-exchange Transactions	LGSETA Interns	-	1 216 938

Current Portion of Long-term Receivables	Staff Related Long Term Receivables	3 000	3 000
Cash and Cash Equivalents	Call Deposits	200 626 600	90 054 858
Cash and Cash Equivalents	Bank Balances	13 600 946	4 259 846
		299 459 598	169 633 667
Financial Assets at Fair Value:			
Cash and Cash Equivalents	Cash Floats and Advances	421	421
		421	421
Total Financial Assets		**299 460 019**	**169 634 088**

FINANCIAL LIABILITIES:
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:

Financial Liabilities	**Classification**		
Long-term Liabilities			
Development Bank of South Africa	Amortised cost	15 090 290	23 087 100
Finance Lease Liability	Amortised cost	1 264 119	513 296
Payables from Exchange Transactions			
Advance Payments	Amortised cost	14 956 402	16 129 451
Bonus	Amortised cost	-	(86 664)
Other Payables	Amortised cost	15 855 564	8 524 007
Retentions	Amortised cost	2 539 496	2 743 214
Salary Related Payables	Amortised cost	695 462	559 307
Trade Creditors	Amortised cost	53 335 629	42 845 910
Current Portion of Long-term Liabilities			
Development Bank of South Africa	Amortised cost	7 998 872	7 179 508
Finance Lease Liability	Amortised cost	1 067 666	1 764 527

SUMMARY OF FINANCIAL LIABILITIES

Financial Liabilities at Amortised Cost:			
Long-term Liabilities	Development Bank of South Africa	15 090 290	23 087 100
Long-term Liabilities	Finance Lease Liability	1 264 119	513 296
Payables from Exchange Transactions	Advance Payments	14 956 402	16 129 451
Payables from Exchange Transactions	Bonus	-	(86 664)
Payables from Exchange Transactions	Other Payables	15 855 564	8 524 007
Payables from Exchange Transactions	Retentions	2 539 496	2 743 214
Payables from Exchange Transactions	Salary Related Payables	695 462	559 307
Payables from Exchange Transactions	Trade Creditors	53 335 629	42 845 910
Current Portion of Long-term Liabilities	Development Bank of South Africa	7 998 872	7 179 508
Current Portion of Long-term Liabilities	Finance Lease Liability	1 067 666	1 764 527
		112 803 501	103 259 657
Total Financial Liabilities		**112 803 501**	**103 259 657**

47.2 Fair Value

The following methods and assumptions were used to estimate the Fair Value of each class of Financial Instrument for which it is practical to estimate such value:

Cash
The carrying amount approximates the Fair Value because of the short maturity of these instruments.

Long-term Investments
The Fair Value of some Investments are estimated based on quoted market prices of those or similar investments. Unlisted Equity Investments are estimated using the discounted cash flow method.

Loan Receivables/Payables
Interest-bearing Borrowings and Receivables are generally at interest rates in line with those currently available in the market on a floating-rate basis, and therefore the Fair Value of these Financial Assets and Liabilities closely approximates their carrying values. Fixed interest-rate instruments are fair valued based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Trade and Other Receivables/Payables

The Fair Value of Trade and Other Payables is estimated at the present value of future cash flows.

The management of the municipality is of the opinion that the carrying value of Trade and Other Receivables recorded at amortised cost in the Annual Financial Statements approximate their fair values. The Fair Value of Trade Receivables were determined after considering the standard terms and conditions of agreements entered into between the municipality and other parties as well as the current payment ratios of the municipality's debtors.

Other Financial Assets and Liabilities

The Fair Value of Other Financial Assets and Financial Liabilities (excluding Derivative Instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Long-term Liabilities

The Fair Value of Long-term Liabilities was determined after considering the standard terms and conditions of agreements entered into between the municipality and the relevant financing institutions.

Management considers the carrying amounts of Financial Assets and Financial Liabilities recorded at amortised cost in the Annual Financial Statements to approximate their Fair Values on 30 June 2019, as a result of the short-term maturity of these assets and liabilities.

The Fair Values of Financial Assets and Financial Liabilities, together with the carrying amounts shown in the Statement of Financial Position, are as follows:

	30 June 2019		30 June 2018	
	Carrying Amount R	Fair Value R	Carrying Amount R	Fair Value R
FINANCIAL ASSETS				
Measured at Amortised Cost:	299 459 598	299 459 598	169 633 667	169 633 667
Long-term Receivables	13 000	13 000	16 000	16 000
Receivables from Exchange Transactions	54 093 203	54 093 203	48 834 181	48 834 181
Receivables from Non-exchange Transactions	31 122 849	31 122 849	26 465 782	26 465 782
Current Portion of Long-term Receivables	3 000	3 000	3 000	3 000
Call Deposits	200 626 600	200 626 600	90 054 858	90 054 858
Bank Balances	13 600 946	13 600 946	4 259 846	4 259 846
Measured at Fair Value	421	421	421	421
Cash and Cash Equivalents	421	421	421	421
Total Financial Assets	299 460 019	299 460 019	169 634 088	169 634 088
FINANCIAL LIABILITIES				
Measured at Amortised Cost:	112 803 501	112 803 501	103 259 657	103 259 657
Development Bank of South Africa	15 090 290	15 090 290	23 087 100	23 087 100
Finance Lease Liability	1 264 119	1 264 119	513 296	513 296
-Payables from Exchange Transactions	87 382 553	87 382 553	70 715 226	70 715 226
-Current Portion of Long-term Liabilities	9 066 539	9 066 539	8 944 035	8 944 035
Bank Overdraft	-	-	-	-
Total Financial Liabilities	112 803 501	112 803 501	103 259 657	103 259 657
Total Financial Instruments	186 656 518	186 656 518	66 374 431	66 374 431
Unrecognised Gain / (Loss)		-		-

No Financial Instruments of the municipality have been reclassified during the year.

Assumptions used in determining Fair Value of Financial Assets and Financial Liabilities

The table below analyses Financial Instruments carried at Fair Value at the end of the reporting period by the level of fair-value hierarchy as required by GRAP 104. 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. The levels have been defined as follows:

Level 1:-

Fair Values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2:-

Fair Values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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. Also, this category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

47.3 Capital Risk Management

The municipality manages its capital to ensure that the municipality will be able to continue as a going concern while delivering sustainable services to consumers through the optimisation of the debt and equity balance. The municipality's overall strategy remains unchanged from 2018.

The capital structure of the municipality consists of debt, which includes Cash and Cash Equivalents and Equity, comprising Funds, Reserves and Accumulated Surplus as disclosed in Note 20 and the Statement of Changes in Net Assets.

Gearing Ratio
The gearing ratio at the year-end was as follows:

	2019 R	2018 R
Debt	25 420 948	32 544 431
Net Debt	25 420 948	32 544 431
Equity	2 190 611 741	2 131 472 850
Net debt to equity ratio	**1.16%**	**1.53%**

Debt is defined as Long-term Liabilities, together with its Short-term Portion.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Performance and Net Debt as described above.

47.4 Financial Risk Management Objectives

The Accounting Officer has overall responsibility for the establishment and oversight of the municipality's risk management framework. The municipality's risk management policies are established to identify and analyse the risks faced by the municipality, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IAS's mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Department Financial Services monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity risk. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports periodically to the municipality’s audit committee, an independent body that monitors the effectiveness of the internal audit function.

Further quantitative disclosures are included throughout these Annual Financial Statements.

47.5 Significant Risks

It is the policy of the municipality to disclose information that enables the user of its Annual Financial Statements to evaluate the nature and extent of risks arising from Financial Instruments to which the municipality is exposed on the reporting date.

The municipality has exposure to the following risks from its operations in Financial Instruments:

- Credit Risk;
- Liquidity Risk; and
- Market Risk.

Risks and exposures are disclosed as follows:

Market Risk
Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality’s income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Credit Risk
Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality’s receivables from customers and investment securities.

Liquidity Risk
Liquidity Risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality’s reputation.

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.

A maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in Note 47.7 to the Annual Financial Statements.

47.6 Market Risk

The municipality’s activities expose it primarily to the financial risks of changes in interest rates (see Note 47.7 below). No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality’s exposure to market risks or the manner in which it manages and measures the risk.

47.6.1 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

47.6.2 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

47.7 Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with Absa Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding twelve months are made.

Trade and Other Receivables

Trade and Other Receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. 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. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water and electricity services rendered to them.

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The consolidation of rates and service accounts, enabling the disconnecting services for the non-payment of any of the individual debts, in terms of section 102 of the MSA;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

Long-term Receivables	16 000	19 000
Receivables from Exchange Transactions	165 551 604	141 782 964
Receivables from Non-exchange Transactions	88 823 668	71 483 054
Bank, Cash and Cash Equivalents	214 227 967	94 315 125
Maximum Credit and Interest Risk Exposure	**468 619 238**	**307 600 143**

The major concentrations of credit risk that arise from the municipality's receivables in relation to customer classification are as follows:

Bank and Cash Balances		
Current Investments	200 626 600	90 054 858
Bank Accounts	13 600 946	4 259 846
Cash Equivalents	421	421
Total Bank and Cash Balances	**214 227 967**	**94 315 125**

Credit quality of Financial Assets:
The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Long-term Receivables		
Group 3	16 000	19 000
Total Long-term Receivables	**16 000**	**19 000**
Receivables from Exchange Transactions		
Counterparties without external credit rating:-		
Group 2	22 206 765	45 563 313
Total Receivables from Exchange Transactions	**22 206 765**	**45 563 313**
Receivables from Non-exchange Transactions		
Group 1	15 356 337	10 522 398
Total Receivables from Non-exchange Transactions	**15 356 337**	**10 522 398**

	2019	2018
	R	R

48 MULTI-EMPLOYER RETIREMENT BENEFIT INFORMATION

The municipality makes provision for post-retirement benefits to eligible councillors and employees, who belong to different pension schemes.
All councillors belong to the Pension Fund for Municipal Councillors.
Employees belong to a variety of approved Pension and Provident Funds as described below.
These funds are governed by the Pension Funds Act and include both defined benefit and defined contribution schemes.

All of these afore-mentioned funds are multi-employer plans and are subject to either a tri-annual, bi-annual or annual actuarial valuation, details which are provided below.

Sufficient information is not available to use defined benefit accounting for the pension and retirement funds, due to the following reasons:-
(i) The assets of each fund are held in one portfolio and are not notionally allocated to each of the participating employers.
(ii) One set of financial statements are compiled for each fund and financial statements are not drafted for each participating employer.
(iii) The same rate of contribution applies to all participating employers and no regard is paid to differences in the membership distribution of the participating employers.

It is therefore seen that each fund operates as a single entity and is not divided into sub-funds for each participating employer.
The only obligation of the municipality with respect to the retirement benefit plans is to make the specified contributions. Where councillors / employees leave the plans prior to full vesting of the contributions, the contributions payable by the municipality are reduced by the amount of forfeited contributions.

The total expense recognised in the Statement of Financial Performance of R3,083,000 (2018: R8,635,000) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. These contributions have been expensed.
The total expense recognised in the Statement of Financial Performance of R3,083,000 (2018: R8,635,000) represents contributions payable to these plans by the municipality at rates specified in the rules of the plans. As at 30 June 2019, contributions of R8 000 (30 June 2018: R8 000) due in respect of the 2018/19 (2017/18) reporting period had not been paid over to the plans. The amounts were paid over subsequent to the reporting date (see Note 45.5).

The Retirement Funds have been valued by making use of the Discounted Cash Flow method of valuation.

DEFINED BENEFIT SCHEMES
Government Employees Pension Fund (GEPF):
The scheme is subject to an tri-annual actuarial valuation. The last statutory valuation was performed as at 30 June 2006.

The statutory valuation performed as at 30 June 2006 revealed that the fund had a surplus of R0,0 (30 June 2004: deficit of R12,8) million, with a funding level of 100,0% (30 June 2004: 96,5%). The contribution rate paid by the members (7,00%) and the municipalities (13,00%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Employees Pension Fund:
The scheme is subject to a tri-annual actuarial valuation. The last statutory valuation was performed as at 28 February 2014.

The net assets available for benefits were R5 715 557 193.
The statutory valuation performed as at 28 February 2014 revealed that the net assets of the fund were R0,0 (28 February 2011: R552,8) million, with a funding level of 100,0% (28 February 2011: 107,9%). The contribution rate paid by the members (7,50%) and Council (15,00%, 18,00% and 22,00%) is not sufficient to fund the benefits accruing from the fund in the future and there is a shortfall in the future employer contribution rate of 12,80% (28 February 2011: 8,10%).

The fund is closed for membership and no new members are allowed to join the fund.

No further information could be obtained.

National Fund for Municipal Workers - Pension Fund:
The fund operates as a defined contribution fund and in terms of the rules of the fund category A and category C members contribute at a rate as agreed upon by the Local Authority and the member, subject to an absolute minimum contribution of 2% and 5% of their remuneration respectively.
Category C-Members, appointed after 1 July 2012, who are not part of the Schedule shall make monthly contributions to the Fund equal to 7.5% of their Remuneration.
The Local Authority must contribute in respect of category A and category C members such an amount as agreed between the Local Authority and the fund, subject to a minimum contribution rate of 2% and 5% of their remuneration respectively. Category B members are members who belong to both category A and C and the Local Authority must, on behalf of such members, not contribute less than 7% of their remuneration. The contribution rates stipulated above include the amount payable towards the insured risk benefits policy.

The last statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R10,050,029,000 (30 June 2014 : R9,031,759,000), with funding levels of 100.42% (30 June 2014: 100.10%). The actuary certified that the assets of the fund are sufficient to cover 100.42% of the members' liabilities, also that it can be expected that the funding level of a fund of this nature will fluctuate around 100%, for example due to timing differences in investment and receipt of monies, slight mismatching of assets and liabilities and processing errors.

Joint Municipal Pension Fund (previously Transvaal Municipal Pension Fund)**:**
The scheme is subject to a bi-annual actuarial valuation. The last statutory valuation was performed as at 30 September 2007.

The statutory valuation performed as at 30 September 2007 revealed that the fund had a surplus of R82,1 (31 December 2005: shortfall of R44,2) million, with a funding level of 123,7% (31 December 2005: unknown). The contribution rate paid by the members (9,00%) and municipalities (22,00%) has a shortfall of 0,90%, but can be covered by the available margin in the fund.
The last valuation performed for the period ended 31 March 2006 revealed that the fund had a shortfall of R205 million, with a funding level of 83%. This will be taken into account in determining future surcharges, to be met by increased employer contributions. These surcharges are as follows:
- From 1 July 2006 14%
- From 1 July 2007 17%

The above-mentioned surcharge is payable until 1 July 2010. This position will be monitored on an annual basis.

	2019	2018
	R	R

The fund is closed for membership and no new members are allowed to join the fund.

No information could be obtained.

DEFINED CONTRIBUTION SCHEMES

Cape Joint Pension Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

Defined Benefit Scheme
The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2012 disclosed an actuarial valuation amounting to R3 014 878 (2011: R2 971 150) million, with a net accumulated deficit of R18 287 (2011: R58 935) million, with a funding level of 99.4% (2011: 104.1%).
Defined Contribution Scheme
The actuarial valuation report at 30 June 2012 indicated that the defined contribution scheme of the fund is in a sound financial position, with a assets amounting to R 421 900 (2011: R386 570) million, net investment reserve of R21 231 (2011: R15 285) million and a funding level of 105.3% (2011: 104.1%).

Council contribute to the Municipal Council Pension Fund, SALA Pension Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

Cape Joint Retirement Fund:

The scheme is subject to an annual actuarial valuation which is not the responsibility of the Municipality. The last statutory valuation was performed as at 30 June 2012.

The statutory valuation performed as at 30 June 2012 revealed that the assets of the fund amounted to R10 775 599 and R546 059 (30 June 2011: R9 930,837 in total) million, with funding levels of 99.9% and 108% (2011: 100,3% and 116,9%) for the Share Account and the Pensions Account respectively. The contribution rate paid by the members (7,50%) and the municipalities (19,50%) is sufficient to fund the benefits accruing from the fund in the future.

Municipal Councillors Pension Fund:

The Municipal Councilors Pension Fund operates as a defined contribution scheme. The statutory valuation performed as at 30 June 2015 revealed that the assets of the fund amounted to R2,551,861,000 (30 June 2014 : R2,229,410,000), with funding levels of 101.08% (30 June 2014: 98.83%). The contribution rate paid by the members (13,75 %) and council (15 %) is sufficient to fund the benefits accruing from the fund in the future. The Acturay certified that the Fund was in a sound financial condition as at 30 June 2015, in that the assests of the fund were sufficient to cover the accrued service liabilities including the recommended contingency reserves in full.

The appointment of a Curator in terms of section 5(1) of the Financial Institutions (protection of funds) Act 2001 for the whole of the business of the Municipal Councillors Pension Fund was done in December 2017. Due to the provisional curatorship, a short monatorium has been placed on the payment of benefits to members/beneficiaries. In terms of the curatorship order, the Court ordered as follows: 1. The provisional Curatorship order of the 19th December 2017 is made a final; 2. The Curator shall furnish the Registrar of the Pension Fund with progress report; 3. The Curator must deliver a further progress report to the Court by no later than 31st October 2018 which report deals with the status of curatorship as at the 30th September 2018; on the curatorship once every two months;.

National Fund for Municipal Workers - Provident Fund:
The Municipal Workers Retirement Fund is a defined contribution scheme. Members contribute at a rate of not less than 7.5% of salaries, as required by the Rules. The employers contribute at a total rate of not less than 18%.From 1 July 2017, members and employers that fall under other bargaining councils or forums are not bound by the above minimum contribution rates. The statutory valuation performed as at 30 June 2017 revealed that the assets of the fund amounted to R7,720,948.000 (30 June 2011 : R6,574,75.00), with funding levels of 102.0% (30 June 2014: 111.7%). As a percentage of members' Fund Credits, the investment smoothing reserve has decreased from 5.6% to 4.9% over the valuation period. As a percentage of the market value of assets, it has decreased marginally from 4.6% to 4.4%.The Fund's assets are sufficient to cover the members' Fund Credits, the targeted levels of the risk benefits reserve and the data and processing error reserve, and an investment smoothing reserve of 4.9% of members' Fund Credits as at 30 June 2017. In addition, there is brought-forward surplus of some R152.8 million which has been allocated to former members and is awaiting payment. The Fund is therefore in a sound financial position.

None of the above mentioned plans are State Plans.

49 RELATED PARTY TRANSACTIONS

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

49.1 Compensation of Related Parties

Name of Related Person	Designation	Description of Related Party Relationship	2019	2018
S. Meleni	Official	Wife of councillor Meleni	281 045	266 195

49.2 Purchases from Related Parties

The municipality bought goods from the following companies, which are considered to be Related Parties:

Company Name	Related Person	Municipal Capacity	Nature of relationship	Purchases for the Year	Purchases for the Year
Central Bridge Trading 436 CC	Z. Tshume	Official	Wife of the director	560 128	187 781
Faulkner Bouers	B. Faulkner	Official	Director is the uncle of this employees	61 200	82 250
Kwa Nandipha Catering	P. Dondashe	Official	Husband of director	28 280	41 632
Algoatime	J. Beda	Official	Husband of the director	20 100	125 458
Amahle Waste Recycling	NI Dela (Emp 1959)	Ward Committee Member	NI Dela is the director/owner of the company	7 020	30 700
Mesrazest	J Hammond	Official	Brother in Law of Director	673 940	277 230
Infraforce Africa (Pty) Ltd	E. Sekula	Official	Owner was employed at KLM	165 955	254 795
Mgqandu & Coco Trading	C. Mgqandu	Official	Husband of Director	282 247	75 480
21st Century Contractors & Transport	S. Prinsloo	Official	Wife of Director	-	39 174
GGS Engineering	J. Nhlangulela	Official	Director	234 591	-
Malubongwe General Trading (Pty) Ltd	H. U. Geleba	Official	Husband of Director	55 095	-
JZA Trading (Pty) Ltd	K. Vumazonke	Official	Niece of Director	28 600	-
Total Purchases				**2 117 156**	**1 114 499**

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

	2019 R	2018 R

50 CONTINGENT LIABILITIES

Contingent Liabilities arose due to various claims brought against the Municipality. The attorneys suggested that the matters will be defended, due to the circumstances of each.

The likelykood of succesfully defending the claims, as well as the timing and possible costs thereof cannot be determined at this time.

	2019 R	2018 R
50.1 Court Proceedings:	**59 527 851**	**34 235 243**
(i) EA Plaatjies / Kouga Local Municipality: A civil litigation action has been instituted against Kouga Municiplaity by the Plaintiff for payment of damages relating to a diving incident at a dam in Kruisfontein, Humansdorp for an amount of R12 million.	12 000 000	12 000 000
(ii) Tauris Garden CC: Civil Claim for damages. Awaiting instructions with regards to appointment of quantity surveyor.	1 800 000	
(iii) Peter John France & Gerald Jack Friedman Trustees of The Rental Company Trust: Claim defended on behalf of Kouga. Currently preparing for trial.	4 000 000	
(iii) Nelson Mandela Bay Metropolitan Municipality alleged claim in respect of Water Consumption. NMBM instituted action against Kouga Municipality in respect of an alleged claim of approximately R41 million in respect of water consumption.	41 000 000	
(iv) Various claims arising from alleged negligence by the Municipality due to damages sustained by the Plaintiffs.:		1 735 243
(v) Various claims due to municipal administrative matters under dispute or investigation:	727 851.39	20 500 000

51 CONTINGENT ASSETS

	2019 R	2018 R
51.1 Insurance Claims:	**197 655**	**1 285 896**
(i) Lost / Damaged Assets: The municipality has claims outstanding against its Insurers for lost and/or damaged assets. The management believe that it is probable that the claims will be successful and that compensation of R197,655 (2018: R1,285,896) will be recovered.	197 655	1 285 896

52 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any In-kind Donations and Assistance during the year under review.

53 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships during the year under review.

54 EVENTS AFTER THE REPORTING DATE

On 30 October 2019, Council approved a write-off of irregular expenditure amounting to R1 144 228, incurred for the period 1 July 2010 to 30 June 2011, in accordance with section 32 (2)(b) of the MFMA.

On 30 October 2019, Council approved a write-off of Fruitless and Wasteful expenditure amounting to R1 615 732, incurred for the period 1 July 2010 to 30 June 2011, in accordance with section 32 (2)(b) of the MFMA.

55 COMPARATIVE FIGURES

The comparative figures were restated as a result of the effect of the implementation of MSCOA, and Prior Period Errors (Note 42).

56 GOING CONCERN ASSESSMENT

Management considered the following matters relating to the Going Concern:

(i) On 30 May 2019 the Council adopted the 2019/20 to 2021/22 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

(ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted.

Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.