Merafong City Local Municipality

Annual Financial Statements

for the year ended 30 June 2020

GT 484

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Municipality
Legislation governing the municipality's operations	Municipal Finance Management Act (Act no.56 of 2003)
Grading of local authority	The municipality is a category C grade 4 local authority in terms of item 4 of the Government Notice R1227 of 18 December 2007 published in terms of the Remuneration of Public Office Bearers Act, 1998
Members of Council	
Executive Mayor	Mogale-Letsie SM
Speaker	Mphithikezi TE
Chief Wip	Mosiane WT
Members of Mayoral Committee	MMC Roads Stormwater and Public Works: Sello GM
	MMC Health and Social Development: Skosana ML
	MMC Corporate and Shared Services: Best N
	MMC Integrated Environmental Management: Lephuting MB
	MMC Local Economic, Tourism and Rural Development: Mganu LA
	MMC Finance: Tabane DV
	MMC Public Safety and Transport: Dlamini MD
	MMC Electricity Gas and Water: Matshe MN
	MMC Human Settlement and Land Development: Moyeni M
	MMC Sports, Recreation, Arts And Culture: Lekopa EM
Accounting Officer	Peu Lerato, Catherine
Chief Financial Officer (CFO)	Magongwa Julia, Ramogale
Registered office	Halite Street Carletonville
Business address and Contact details	Halite Street Carletonville Telephone number: 018 788 9500 Fax number: 018 786 1105 Website address: www.merafong.gov.za
Postal address	PO Box 3, Carletonville, 2500
Bankers	First National Bank
Auditors	Auditor-General of South Africa

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The reports and statements set out below comprise the annual financial statements presented to the Auditor-General:

Abbreviations

AGSA	Auditor-General of South Africa
EPWP	Expanded Public Works Programme
GRAP	Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act (Act No 56 of 2003)
MIG	Municipal Infrastructure Grant
NLDTF	National Lottery Distribution Trust Fund
SALGBC	South African Local Government Bargaining Council
SDL	Skills Development Levy
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
WCA	Workmen's Compensation Act
WRDM	West Rand District Municipality

Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is wholly dependent on revenue for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 75, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed on its behalf by:

Siyethemba Lovemore Mdletshe
Acting Municipal Manager

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	9	1,012,728	918,958
Receivables from exchange transactions	10	1,128,815	1,144,257
Other receivables from non-exchange transactions	11	2,620,641	8,594,300
VAT receivable	12	54,814,165	43,549,410
Consumer debtors	13	421,709,650	216,774,933
Cash and cash equivalents	14	179,144,183	115,271,512
		660,430,182	**386,253,370**
Non-Current Assets			
Investment property	3	320,218,730	320,218,730
Property, plant and equipment	4	2,846,589,384	2,843,201,937
Intangible assets	5	627,690	1,485,213
Heritage assets	6	189,048	199,116
		3,167,624,852	**3,165,104,996**
Total Assets		**3,828,055,034**	**3,551,358,366**
Liabilities			
Current Liabilities			
Long-term liabilities	15	7,006,518	5,335,423
Finance lease obligation	16	82,217	346,782
Payables from exchange transactions	19	847,622,588	617,053,867
Consumer deposits	21	18,204,521	15,785,335
Employee benefit obligation	8	3,475,000	2,663,486
Unspent conditional grants, receipts and donations	17	116,877,351	112,937,376
Provisions	18	39,531,113	31,300,628
		1,032,799,308	**785,422,897**
Non-Current Liabilities			
Long-term liabilities	15	43,593,776	51,752,785
Finance lease obligation	16	71,664	153,882
Employee benefit obligation	8	99,534,000	120,246,038
Provisions	18	53,665,007	52,068,812
		196,864,447	**224,221,517**
Total Liabilities		**1,229,663,755**	**1,009,644,414**
Net Assets		**2,598,391,279**	**2,541,713,952**
Accumulated surplus		2,598,391,279	2,541,713,952

Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	24	722,010,409	691,609,156
Rental of facilities and equipment	35	1,121,176	1,258,710
Interest earned - outstanding receivables		148,639,919	107,050,275
Licences and permits		9,166,673	12,869,767
Other income	26	3,314,090	4,693,238
Interest earned - external investments	32	8,339,486	9,557,868
Gain on disposal of assets and liabilities		52,783	-
Total revenue from exchange transactions		**892,644,536**	**827,039,014**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	23	509,751,938	180,474,828
Property rates - penalties imposed	23	3,302,568	6,462,316
Transfer revenue			
Government grants & subsidies	25	382,949,246	428,900,682
Public contributions and donations	27	855,421	1,734,791
Fines		24,260,889	26,767,333
Total revenue from non-exchange transactions		**921,120,062**	**644,339,950**
Total revenue		**1,813,764,598**	**1,471,378,964**
Expenditure			
Employee related costs	29	(316,753,200)	(324,375,919)
Remuneration of councillors	30	(22,854,874)	(23,818,787)
Depreciation and amortisation	33	(76,842,085)	(106,922,233)
Impairment loss		(54,743,899)	(16,331,305)
Finance costs	34	(52,667,196)	(35,867,788)
Debt impairment	31	(559,293,399)	(381,292,269)
Collection costs		-	(1,562,447)
Bulk purchases	38	(537,666,355)	(513,986,267)
Contracted services	36	(80,803,805)	(74,569,414)
Grants and subsidies paid	37	(5,493,927)	-
General expenses	28	(49,968,531)	(56,021,504)
Total expenditure		**(1,757,087,271)**	**(1,534,747,933)**
Surplus (deficit) for the year		**56,677,327**	**(63,368,969)**

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2018	**2,486,371,902**	**2,486,371,902**
Changes in net assets		
Deficit for the year	(63,368,969)	(63,368,969)
Other	1,299,198	1,299,198
Other Additional	117,411,821	117,411,821
Total changes	55,342,050	55,342,050
Balance at 01 July 2019	**2,541,713,952**	**2,541,713,952**
Changes in net assets		
Surplus for the year	56,677,327	56,677,327
Total changes	56,677,327	56,677,327
Balance at 30 June 2020	**2,598,391,279**	**2,598,391,279**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services & taxes		684,385,928	750,036,868
Grants		405,918,495	418,267,400
Interest income		8,339,486	9,557,868
Other receipts		3,314,090	4,733,601
		1,101,957,999	1,182,595,737
Payments			
Employee costs		(349,858,523)	(352,145,137)
Suppliers		(494,082,620)	(567,393,863)
Finance costs		(52,667,196)	(34,277,833)
Other payments		(549,446)	(1,302,870)
		(897,157,785)	(955,119,703)
Net cash flows from operating activities	39	**204,800,214**	**227,476,034**
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(134,092,753)	(195,235,847)
Purchase of other intangible assets	5	-	(17,339)
Purchases of heritage assets	6	-	(4,500)
Net cash flows from investing activities		**(134,092,753)**	**(195,257,686)**
Cash flows from financing activities			
Repayment of long-term liabilities		(6,487,914)	(5,949,102)
Finance lease payments		(346,876)	(558,664)
Net cash flows from financing activities		**(6,834,790)**	**(6,507,766)**
Net decrease in cash and cash equivalents		**63,872,671**	**25,710,582**
Cash and cash equivalents at the beginning of the year		115,271,512	89,560,930
Cash and cash equivalents at the end of the year	14	**179,144,183**	**115,271,512**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	748,458,906	(25,858,276)	**722,600,630**	722,010,409	**(590,221)**	
Rental of facilities and equipment	2,495,153	(97,640)	**2,397,513**	1,121,176	**(1,276,337)**	
Interest earned - outstanding receivables	113,559,404	37,060,530	**150,619,934**	148,639,919	**(1,980,015)**	
Licences and permits	17,382,322	(17,382,322)	**-**	9,166,673	**9,166,673**	
Other income	6,429,092	(85,074)	**6,344,018**	3,314,090	**(3,029,928)**	
Interest earned - external investment	8,870,504	-	**8,870,504**	8,339,486	**(531,018)**	
Total revenue from exchange transactions	**897,195,381**	**(6,362,782)**	**890,832,599**	**892,591,753**	**1,759,154**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	536,695,725	(20,703,573)	**515,992,152**	509,751,938	**(6,240,214)**	
Property rates - penalties imposed	-	-	**-**	3,302,568	**3,302,568**	
Transfer revenue						
Government grants & subsidies	395,252,000	98,576,352	**493,828,352**	382,949,246	**(110,879,106)**	
Public contributions and donations	-	-	**-**	855,421	**855,421**	
Fines, Penalties and Forfeits	7,435,495	(2,739,259)	**4,696,236**	24,260,889	**19,564,653**	
Total revenue from non-exchange transactions	**939,383,220**	**75,133,520**	**1,014,516,740**	**921,120,062**	**(93,396,678)**	
Total revenue	**1,836,578,601**	**68,770,738**	**1,905,349,339**	**1,813,711,815**	**(91,637,524)**	
Expenditure						
Employee related costs	(369,651,146)	30,000,016	**(339,651,130)**	(316,753,200)	**22,897,930**	
Remuneration of councillors	(27,730,671)	-	**(27,730,671)**	(22,854,874)	**4,875,797**	
Depreciation and amortisation	(106,226,000)	-	**(106,226,000)**	(76,842,085)	**29,383,915**	
Impairment loss/ Reversal of impairments	-	-	**-**	(54,743,899)	**(54,743,899)**	
Finance costs	(33,343,397)	(19,556,603)	**(52,900,000)**	(52,667,196)	**232,804**	
Debt impairment	(323,207,412)	(176,982,300)	**(500,189,712)**	(559,293,399)	**(59,103,687)**	
Bulk purchases	(557,254,496)	(6,727,911)	**(563,982,407)**	(537,666,355)	**26,316,052**	
Contracted Services	(85,856,351)	15,337,171	**(70,519,180)**	(80,803,805)	**(10,284,625)**	
Transfers and Subsidies	(2,510,200)	(40,250)	**(2,550,450)**	(5,493,927)	**(2,943,477)**	
General Expenses	(130,120,308)	66,751,107	**(63,369,201)**	(49,968,531)	**13,400,670**	
Total expenditure	**(1,635,899,981)**	**(91,218,770)**	**(1,727,118,751)**	**(1,757,087,271)**	**(29,968,520)**	
Operating surplus	**200,678,620**	**(22,448,032)**	**178,230,588**	**56,624,544**	**(121,606,044)**	
Gain on disposal of assets and liabilities	-	-	**-**	52,783	**52,783**	
Surplus before taxation	**200,678,620**	**(22,448,032)**	**178,230,588**	**56,677,327**	**(121,553,261)**	

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**200,678,620**	**(22,448,032)**	**178,230,588**	**56,677,327**	**(121,553,261)**	

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2020											
Financial Performance											
Property rates	536,695,725	(20,703,573)	515,992,152	-		515,992,152	513,054,506		(2,937,646)	99 %	96 %
Service charges	748,458,906	(25,858,276)	722,600,630	-		722,600,630	722,010,409		(590,221)	100 %	96 %
Investment revenue	8,870,504	-	8,870,504	-		8,870,504	8,339,486		(531,018)	94 %	94 %
Transfers recognised - operational	233,421,750	11,286,000	244,707,750	-		244,707,750	382,949,246		138,241,496	156 %	164 %
Other own revenue	147,301,466	16,756,235	164,057,701	-		164,057,701	186,555,530		22,497,829	114 %	127 %
Total revenue (excluding capital transfers and contributions)	**1,674,748,351**	**(18,519,614)**	**1,656,228,737**	**•**		**1,656,228,737**	**1,812,909,177**		**156,680,440**	**109 %**	**108 %**
Employee costs	(369,651,146)	30,000,016	(339,651,130)	-	-	(339,651,130)	(316,753,200)	-	22,897,930	93 %	86 %
Remuneration of councillors	(27,730,671)	-	(27,730,671)	-	-	(27,730,671)	(22,854,874)	-	4,875,797	82 %	82 %
Debt impairment	(323,207,412)	(176,982,300)	(500,189,712)			(500,189,712)	(559,293,399)	-	(59,103,687)	112 %	173 %
Depreciation and asset impairment	(106,226,000)	-	(106,226,000)			(106,226,000)	(131,585,984)	-	(25,359,984)	124 %	124 %
Finance charges	(33,343,397)	(19,556,603)	(52,900,000)	-	-	(52,900,000)	(52,667,196)	-	232,804	100 %	158 %
Materials and bulk purchases	(558,506,128)	(6,663,823)	(565,169,951)	-	-	(565,169,951)	(537,666,355)	-	27,503,596	95 %	96 %
Transfers and grants	(2,510,200)	(40,250)	(2,550,450)	-	-	(2,550,450)	(5,493,927)	-	(2,943,477)	215 %	219 %
Other expenditure	(214,725,027)	82,024,190	(132,700,837)	-	-	(132,700,837)	(130,772,336)	-	1,928,501	99 %	61 %
Total expenditure	**(1,635,899,981)**	**(91,218,770)**	**(1,727,118,751)**	**•**	**•**	**(1,727,118,751)**	**(1,757,087,271)**	**•**	**(29,968,520)**	**102 %**	**107 %**
Surplus/(Deficit)	**38,848,370**	**(109,738,384)**	**(70,890,014)**	**•**		**(70,890,014)**	**55,821,906**		**126,711,920**	**(79)%**	**144 %**

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	161,830,250	87,290,352	249,120,602	-		249,120,602	-		(249,120,602)	- %	- %
Contributions recognised - capital and contributed assets	-	-	-	-			- 855,421		855,421	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	**200,678,620**	**(22,448,032)**	**178,230,588**	**-**		**178,230,588**	**56,677,327**		**(121,553,261)**	**32 %**	**28 %**
Surplus/(Deficit) for the year	**200,678,620**	**(22,448,032)**	**178,230,588**	**-**		**178,230,588**	**56,677,327**		**(121,553,261)**	**32 %**	**28 %**

Capital expenditure and funds sources

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total capital expenditure	162,290,250	102,752,970	265,043,220	-		265,043,220	153,115,388		(1	58 %	94 %
Sources of capital funds											
Transfers recognised - capital	161,830,250	87,290,352	249,120,602	-		249,120,602	152,557,569		(96,563,033)	61 %	94
Internally generated funds	460,000	15,462,618	15,922,618	-		15,922,618	557,819		% (15,364,799)	4 %	
Total sources of capital funds	**162,290,250**	**102,752,970**	**265,043,220**	**-**		**265,043,220**	**153,115,388**		**(111,927,832)**	**58 %**	**94 %**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	207,119,401	77,337,058	284,456,459	-		284,456,459	204,800,214		(79,656,245) %	72 %	99
Net cash from (used) investing		(163,290,250)	(102,752,970)	(266,043,220)			(266,043,220)		131,950,467	50 %	82 %
Net cash from (used) financing	-	(6,336,931)	40,053,638	33,716,707 -			(134,092,753)		(40,551,497)	(20)%	108 %
Net increase/(decrease) in cash and cash equivalents	**37,492,220**	**14,637,726**	**52,129,946**	**•**		**52,129,946**	**63,872,671**		**11,742,725**	**123 %**	**170 %**
Cash and cash equivalents at the beginning of the year	115,271,511	-	115,271,511	-		115,271,511	115,271,512		1 %	100 %	100
Cash and cash equivalents at year end	**152,763,731**	**14,637,726**	**167,401,457**	**•**		**167,401,457**	**179,144,183**		**(11,742,726)**	**107 %**	**117 %**

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant notes and policies.

Trade receivables I Held to maturity investments andIor loans and receivables

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

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including uncontrollable ageing, together with economic factors such as inflation.

1.2 Investment property

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

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

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

Accounting Policies

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

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

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

Cost model

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

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

Item	Useful life
Property - land	indefinite

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

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Accounting Policies

1.3 Property, plant and equipment

INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

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

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

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.

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

SUBSEQUENT MEASUREMENT · COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset and the cost or fair value of the item can be measured reliably.

DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		**Other**	
Roads and Storm water	5 - 80 Years	Buildings	5 - 100 Years
Electricity	15 - 50 Years	Other vehicles	5 - 8 Years
Water	15 - 80 Years	Office equipment	3 - 12 Years
Sewerage	10 - 80 Years	Furniture and fittings	7 - 30 Years
		Plant and equipment	7 - 29 Years
		Computer equipment	5 - 8 Years
		Library Material	5 - 15 Years
		Other assets	5 - 30 Years
		Land	Indefinite

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

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

Accounting Policies

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

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

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

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

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

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

INITIAL RECOGNITION

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:
• the municipality intends to complete the intangible asset for use or sale;
• it is technically feasible to complete the intangible asset;
• the municipality has the resources to complete the project; and
• it is probable that the municipality will receive future economic benefits or service potential.

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.

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

SUBSEQUENT MEASUREMENT · COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software	3 - 12 years

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising from the derecognition of an intangible asset is included in surplus or deficit when the asset is derecognised.

1.5 Heritage assets

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

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

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. Heritage assets at the municipality are primarily art work.

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Subsequent measurement

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

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

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

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

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

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

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

Derecognition

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

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

1.6 Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policies

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

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

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

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

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

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

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

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

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

Class	Category
Trade and other receivables (including long-term receivables)	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Investments	Financial asset measured at amortised cost

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

Class	Category
Long-term liabilities	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Unspent conditional grants and receipts	Financial liability measured at amortised cost

Accounting Policies

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

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

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

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

Accounting Policies

Subsequent measurement of financial assets and financial liabilities

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

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

Fair value measurement considerations

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

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the municipality cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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

Accounting Policies

Presentation

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

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

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

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

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

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

1.7 Statutory receivables

Identification

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

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

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Transitional provision

The municipality took advantage of the transitional provisions granted in DIrective 3 fo the GRAP Reporting Framework. Refer to note 1.29 for more details in this regard.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

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

Identification

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

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

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

Value in use

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

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

Basis for estimates of future cash flows

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Foreign currency future cash flows

Future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. The municipality translates the present value using the spot exchange rate at the date of the value in use calculation.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Accounting Policies

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Redesignation

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

1.11 Impairment of non-cash-generating assets

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

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

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

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

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

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

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

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

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

Useful life is either:

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

Identification

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

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating assets is determined using the most appropriate between the following approaches:

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.12 Employee benefits

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

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

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

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

Accounting Policies

Short-term employee benefits

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

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

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

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

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

Post-employment benefits

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

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

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

Multi-employer plans

The municipality classifies a multi-employer plan as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Post-employment benefits: Defined contribution plans

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

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

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

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

Accounting Policies

Post-employment benefits: Defined benefit plans

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

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

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

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

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

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

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

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

- the present value of the defined benefit obligation at the reporting date;
- plus any liability that may arise as a result of a minimum funding requirement

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

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

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost; and
- the effect of any curtailments or settlements

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

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

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

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

Other post retirement obligations

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

The municipality recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses, which are recognised immediately;
- past service cost, which are recognised immediately; and
- the effect of any curtailments or settlements.

1.13 Provisions and contingencies

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:
(a) The municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Landfill rehabilitation

The Landfill Rehabilitation Provision is created for the rehabilitation of the current operational sites at the future estimated time of closure.

The value of the Provision is based on the expected future cost to rehabilitate the various sites discounted back to the balance sheet date at the cost of capital, which is currently 8.90% (2018:8.90%).

The municipality has an obligation to rehabilitate these Landfill sites. The cost of such property includes the initial estimate of the costs of rehabilitating the land and restoring the site on which it is located, the obligation for which a municipality incurs as a consequence of having used the property during a particular period for landfill purposes. The municipality estimates the useful lives and make assumptions as to the useful lives of these assets, which influence the provision for future costs.

The asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;

(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and

(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in surplus or deficit.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

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

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

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

1.14 Revenue from exchange transactions

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

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

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

Revenue from service charges are recognised when the services are rendered.

Revenue from rental of facilities are recognised over the period of the rental.

Revenue from sale of goods are recognised when the sale is concluded.

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

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

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

1.15 Revenue from non-exchange transactions

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

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

Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

Recognition

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

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

Measurement

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

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

Taxes (Property Rates)

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

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

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

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

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

Transfers

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

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

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

Accounting Policies

Services in-kind

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

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

1.16 Borrowing costs

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

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

1.17 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.18 Comparative figures

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

1.19 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, 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). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 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. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 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 supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.23 Going concern

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.24 Commitments

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

1.25 VAT

VAT is payable on the receipts basis. The municipality is liable to account for VAT at the standard rate (15%) interms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the Vat Act or is out of scope for VAT purposes.

VAT is paid over to SARS only once payment is received from debtors and claimed from SARS once payment is made to a creditor.

1.26 Budget information

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

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

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 01/07/19 to 30/06/20.

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

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

1.27 Related parties

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

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

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

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

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

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

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

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

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

1.28 Events after reporting date

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

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

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

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

1.29 Transitional provisions

Transitional provision for Statutory Receivables

The municipality changed its relating accounting policy in 2020. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

Until such time as the measurement period expires and relating items are classified and measured in accordance with the requirements of the associated Standard of GRAP, the municipality need not comply with the relating requirements of the Standard of GRAP on:

- Statutory receivables (GRAP 108)

The municipality will comply with the disclosure requirements of GRAP 108, as and when statutory receivables are classified and measured in accordance with the Standard of GRAP.

Refer to note 54 for additional disclosure in this regard.

Due to initial adoption of the GRAP standard

According to the transitional provision, the municipality is not required to change its accounting policy in respect of the classification and measurement of Statutory Receivables for reporting period beginning on a date within 3 years following the date of first adoption of the specific Standard of GRAP (GRAP 108). The transitional provision expires on 30/06/22.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	Not yet set	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	Not yet set	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	Not yet set	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Not Applicable currently
• GRAP 35: Consolidated Financial Statements	01 April 2020	Not Applicable currently
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Not Applicable currently
• GRAP 37: Joint Arrangements	01 April 2020	Not Applicable currently
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Not Applicable currently
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

3. Investment property

	2020			2019		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	320,218,730	-	320,218,730	320,218,730	-	320,218,730

Reconciliation of investment property • 2020

	Opening balance	Total
Investment property	320,218,730	320,218,730

Reconciliation of investment property • 2019

	Opening balance	Total
Investment property	320,218,730	320,218,730

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

4. Property, plant and equipment

	2020			2019		
	Cost	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land and buildings	510,595,480	(251,158,633)	259,436,847	510,595,480	(242,777,211)	267,818,270
Infrastructure	4,557,326,840	2,012,132,366)	2,545,194,474	4,423,194,064	1,867,257,223)	2,555,936,840
Library equipment	27,031,805	(13,232,323)	13,799,482	27,031,805	(21,269,187)	5,762,618
Finance lease assets	2,006,817	(2,006,817)	-	2,006,817	(2,006,817)	-
Other property, plant and equipment	47,231,173	(19,072,592)	28,158,581	47,231,173	(33,546,964)	13,684,209
Total	**5,144,192,114**	**(2,297,602,731)**	**2,846,589,384**	**5,010,059,338**	**(2,166,857,401)**	**2,843,201,937**

Reconciliation of property, plant and equipment · 2020

	Opening balance	**Additions**	**Disposals and Impairment losses**	**Depreciation**	**Total**
Land and buildings	260,737,779	7,080,491	-	(8,381,422)	259,436,847
Infrastructure	2,563,615,173	126,454,443	(54,656,577)	(90,218,565)	2,545,194,474
Library equipment	5,722,133	-	-	8,077,349	13,799,482
Other property, plant and equipment	13,126,390	557,819	(74,209)	14,548,580	28,158,581
	2,843,201,475	**134,092,753**	**(54,730,786)**	**(75,974,058)**	**2,846,589,384**

Reconciliation of property, plant and equipment · 2019

	Opening balance	**Additions**	**Disposals and Impairment losses**	**Other changes/ movements**	**Depreciation**	**Total**
Land and buildings	262,453,098	21,513,361	(5,052,611)	-	(11,095,578)	267,818,270
Infrastructure	2,485,996,333	169,973,982	(10,286,762)	(153,085)	(89,593,627)	2,555,936,840
Library equipment	6,178,607	1,724,194	(143,821)	40,485	(2,036,847)	5,762,618
Finance lease assets	264,325	-	-	-	(264,325)	0
Other property, plant and equipment	16,103,431	2,024,310	(710,616)	518,251	(4,251,167)	13,684,209
	2,770,995,794	**195,235,847**	**(16,193,810)**	**405,651**	**(107,241,543)**	**2,843,201,938**

Work·in·progress		
Opening balance	373,508,291	260,931,966
Additions	134,092,753	190,476,401
Assets completed during the preiod	(421,630)	(77,900,076)
	507,179,414	**373,508,291**

Reconciliation of Work In Process included in the property, plant and equipment carrying amount · 2020

	Opening balance	Additions	Transfers to assets	Total
Land and buldings	49,093,383	7,080,490	-	56,173,873
Infrastructure	324,414,909	127,012,262	(421,630)	451,005,541
	373,508,292	**134,092,752**	**(421,630)**	**507,179,414**

4. Property, plant and equipment (continued)

Reconciliation of Work In Process included in the property, plant and equipment carrying amount • 2019

	Opening balance	Additions	Transfers to assets	Total
Land and buldings	83,141,017	21,513,361	(55,560,995)	49,093,383
Infrastructure	177,648,740	170,116,191	(23,350,023)	324,414,908
	260,789,757	**191,629,552**	**(78,911,018)**	**373,508,291**

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance	2020	2019
Employee related costs	97,379,398	77,029,565
Contracted services	7,708,212	6,920,475
	105,087,610	**83,950,040**

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

5. Intangible assets

	2020			2019		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	8,607,746	(7,980,055)	627,690	8,592,020	(7,106,807)	1,485,213

Reconciliation of intangible assets • 2020

	Opening balance	**Other changes, movements**	**Amortisation**	**Total**
Computer software	1,485,213	-	(857,991)	627,222

Reconciliation of intangible assets • 2019

	Opening balance	**Additions**	**Other changes, movements**	**Amortisation**	**Total**
Computer software	1,834,165	17,339	-	(366,291)	1,485,213

Notes to the Annual Financial Statements

Figures in Rand

6. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	201,366	(12,318)	189,048	201,584	(2,468)	199,116

Reconciliation of heritage assets 2020

	Opening balance	Other changes, movements	Total
Art Collections, antiquities and exhibits	199,116	(10,068)	189,048

Reconciliation of heritage assets 2019

	Opening balance	Additions	Other changes, movements	Total
Art Collections, antiquities and exhibits	197,084	4,500	(2,468)	199,116

7. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

At amortised cost		
Consumer debtors	421,709,650	216,774,932
Cash and cash equivalents	179,144,183	115,271,512
Receivables from exchange transactions	1,128,815	1,144,257
	601,982,648	**333,190,701**

8. Employee benefit obligations

Defined benefit plan

The following is defined as a benefit plan: Joint Municipal Pension Fund. These are not treated as defined benefit plans as defined by GRAP25, but are accounted for as defined contribution plans. This is in line with the exemption in GRAP 25.31 which states that where information required for defined benefit plan accounting is not available in respect of multi-employer plans, these should be accounted for as defined contribution plans. The municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

ARCH Actuaries, approved pension fund valuator and member of the Actuarial Society of South Africa (ASSA), performed the actuarial valuations at 30 June 2020 as well as 30 June 2019.

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

	2020	2019
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(103,009,000)	(122,909,524)
Non-current liabilities	(99,534,000)	(120,246,038)
Current liabilities	(3,475,000)	(2,663,486)
	(103,009,000)	**(122,909,524)**

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

	2020	2019
Opening balance	(122,909,524)	(125,014,779)
Benefits paid	3,383,970	3,097,267
Net expense recognised in the statement of financial performance	16,516,554	(992,012)
	(103,009,000)	**(122,909,524)**

Net expense recognised in the statement of financial performance

	2020	2019
Current service cost	(4,671,871)	(5,593,082)
Interest cost	(11,478,224)	(11,949,873)
Actuarial (gains) losses	32,666,649	16,550,943
	16,516,554	**(992,012)**

8. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10.55 %	9.48 %
Medical cost trend rates	6.59 %	6.93 %
Expected increase in healthcare costs	3.72 %	2.38 %

8. Employee benefit obligations (continued)

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service
Central Assumptions		80.317
Health care inflation	1%	88.057
	-1%	70.796
Post-retirement mortality	-1 yr	82.376
Average retirement age	-1 yr	86.882
Withdrawal Rate	-10%	67.851

Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Continuation	Total	% change
Central Assumptions	42.592	122.910	
Health care inflation	43.823	131.880	7%
	40.871	111.667	-9%
Post-retirement mortality	43.953	126.329	3%
Average retirement age	42.592	129.464	5%
Withdrawal Rate	42.592	110.443	-10%

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Change	Current-service Cost
Central Assumptions		5,660,600
Health care inflation	1%	6,954,100
	-1%	4,694,400
Post-retirement mortality	-1 yr	5,841,400
Average retirement age	-1 yr	6,013,700
Withdrawal Rate	-50%	4,873,300

Sensitivity Analysis on the Current-service and Interest Costs

Assumption	Interest Cost	Total	% change
Central Assumptions	11,147.900	16,271,600	
Health care inflation	11,799,100	17,341,500	7%
	10,277,000	14,827,200	-9%
Post-retirement mortality	11,489,900	16,758,200	3%
Average retirement age	11,886,100	17,220,700	6%
Withdrawal Rate	10,705,700	14,485,400	-11%

There are no plan assets.

Key demographic assumptions

Assumption	Value
Average retirement age	65 for males; 60 for females
Continuation of membership at retirement	95%
Proportion assumed married at retirement	90%
Proportion of eligible current non-member employees joining the scheme by retirement	10%
Mortality during employment	SA 85-90
Mortality post-retirement	PA90-1

Withdrawals from service (sample annual rates)	Age	Females	Males
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	>55	2%	2%

8. Employee benefit obligations (continued)

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	**One percentage point decrease**
Effect on the aggregate of the service cost and interest cost	14,877,400	17,686,200
Effect on defined benefit obligation	90,624,000	118,308,000

Amounts for the current and previous four years are as follows:

	2020 R	**2019 R**	**2018 R**	**2017 R**	**2016 R**
Defined benefit obligation	(103,009,000)	(122,909,524)	(125,014,779)	(115,365,915)	(121,718,090)
Surplus (deficit)	16,150,095	16,550,943	4,010,777	20,685,890	19,161,708
Experience adjustments on plan liabilities	(10,669,000)	(482,000)	4,338,000	(790,000)	(15,076,000)

9. Inventories

Water for distribution	1,012,728	918,958

Reconciliation of Consumable stores and Prepaid water meters

Opening balance	-	2,011,500
Issued (expensed)	-	(2,011,500)
	-	**-**

Reconciliation of Water

Opening balance	918,958	819,036
Additions	256,413,602	241,745,850
Issued (expensed)	(256,319,833)	(241,645,928)
	1,012,728	**918,958**

10. Receivables from exchange transactions

Other receivables	1,128,815	1,129,415
Salary advances	-	14,842
	1,128,815	**1,144,257**

Credit quality of trade and other receivables

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

Reconciliation of provision for impairment of receivables from exchange transactions

11. Other receivables from non-exchange transactions

Fines	20,158,776	96,293,178
Less: Provision for debt impairment	(17,538,135)	(87,698,878)
	2,620,641	**8,594,300**

11. Other receivables from non-exchange transactions (continued)

Credit quality of other receivables from non-exchange transactions

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

12. VAT receivable

VAT	54,814,165	43,549,410

13. Consumer debtors

Gross balances		
Rates	645,204,506	317,014,094
Electricity	93,998,475	79,068,269
Water	707,992,293	567,401,696
Sewerage	153,063,031	122,196,048
Refuse	212,343,066	175,539,376
Other	855,419,323	631,977,757
	2,668,020,694	**1,893,197,240**
Less: Allowance for impairment		
Rates	(437,492,359)	(274,250,098)
Electricity	(77,364,253)	(55,894,030)
Water	(668,945,481)	(530,986,779)
Sewerage	(145,643,132)	(115,940,517)
Refuse	(193,168,049)	(157,679,510)
Other	(723,697,770)	(541,671,374)
	(2,246,311,044)	**(1,676,422,308)**
Net balance		
Rates	207,712,147	42,763,996
Electricity	16,634,222	23,174,239
Water	39,046,812	36,414,917
Sewerage	7,419,899	6,255,532
Refuse	19,175,017	17,859,866
Other	131,721,553	90,306,383
	421,709,650	**216,774,933**
Included in above is receivables from exchange transactions		
Electricity	16,634,222	23,174,239
Water	39,046,812	36,414,917
Sewerage	7,419,899	6,255,532
Refuse	19,175,017	17,859,866
Other	131,721,553	90,306,383
	213,997,503	**174,010,937**
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	207,712,147	42,763,996
Net balance	**421,709,650**	**216,774,933**

Figures in Rand	2020	2019

13. Consumer debtors (continued)

Rates		
Current (0 -30 days)	31,513,406	14,175,751
31 - 60 days	36,749,642	9,474,551
61 - 90 days	33,020,593	6,033,094
91 - 120 days	32,573,325	5,803,373
121 - 365 days	32,317,963	5,712,419
> 365 days	479,029,578	275,814,906
	645,204,506	**317,014,094**

Other		
Current (0 -30 days)	116,465,787	118,783,660
31 - 60 days	49,747,861	65,602,596
61 - 90 days	44,107,944	66,713,873
91 - 120 days	43,569,334	37,501,959
121 - 365 days	43,751,922	41,470,127
> 365 days	1,725,173,339	1,246,110,931
	2,022,816,187	**1,576,183,147**

Figures in Rand	2020	2019

13. Consumer debtors (continued)

Summary of debtors by customer classification

	2020	2019
Consumers/Households		
Current (0 -30 days)	75,758,711	84,761,173
31 - 60 days	37,868,148	47,657,904
61 - 90 days	32,891,225	53,601,473
91 - 120 days	33,391,673	26,631,928
121 - 365 days	32,385,939	30,515,833
> 365 days	1,152,559,236	768,537,885
	1,364,854,932	1,011,706,194
Less: Allowance for impairment	(1,231,260,004)	(941,969,905)
	133,594,928	**69,736,290**
Industrial/Commercial		
Current (0 -30 days)	73,800,301	44,476,257
31 - 60 days	46,908,420	25,514,505
61 - 90 days	42,709,199	17,310,462
91 - 120 days	40,498,957	15,496,073
121 - 365 days	41,983,723	15,637,384
> 365 days	1,022,104,566	736,236,592
	1,268,005,165	854,671,272
Less: Allowance for impairment	(1,014,824,083)	(734,452,403)
	253,181,082	**120,218,869**
National and provincial government		
Current (0 -30 days)	7,013,563	3,694,990
31 - 60 days	1,698,372	1,877,239
61 - 90 days	1,505,383	1,814,810
91 - 120 days	2,229,368	1,157,871
121 - 365 days	1,618,735	1,009,613
> 365 days	21,095,174	17,265,251
	35,160,595	26,819,774
Less: Allowance for impairment	(226,956)	-
	34,933,639	**26,819,774**
Total		
Current (0 -30 days)	156,572,575	132,932,420
31 - 60 days	86,474,940	75,049,647
61 - 90 days	77,105,806	72,726,745
91 - 120 days	76,119,998	43,285,872
121 - 365 days	75,988,397	47,162,829
> 365 days	2,195,758,977	1,522,039,728
	2,668,020,693	1,893,197,241
Less: Allowance for impairment	(2,246,311,043)	(1,676,422,308)
	421,709,650	**216,774,933**

Reconciliation of allowance for impairment

	2020	2019
Balance at beginning of the year	(1,676,422,308)	(1,307,445,439)
Contributions to allowance	(684,630,910)	(384,425,768)
Debt impairment written off against allowance	114,742,174	15,448,899
	(2,246,311,044)	**(1,676,422,308)**

13. Consumer debtors (continued)

Fair value of consumer debtors

The fair value of consumer debtors approximates their carrying amounts.

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 156,036,426 (2019: R 88,070,428) were past due but not impaired.

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 114,742,174 (2019: R 15,448,899) were impaired and provided for.

14. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Cash on hand (Credit grade: High)	20,782	20,782
Call deposits & short-term investments (Credit grade: High)	179,123,401	115,250,730
VBS Mutual bank	51,005,929	51,005,929
Impairment - VBS Mutual Bank	(51,005,929)	(51,005,929)
	179,144,183	**115,271,512**

The municipality had the following bank accounts

Account number I description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
NEDBANK Ltd - Current account No. 1454087331	3,348,443	1,865,211	3,257,644	2,456,893	1,990,045	(5,124,136)
FIRST NATIONAL BANK - Current Account 62796852624	7,542,170	3,222,851	-	8,072,436	(9,141,443)	-
FNB Fleet Deposit	250,000	250,000	-	250,000	250,000	-
FIRST NATIONAL BANK - Traffic Fines	(2,501)	-	-	(2,501)	(8,701)	-
NEDBANK Ltd - Traffic Fines	(1,200)	-	-	(1,200)	(5,920)	-
NEDBANK Ltd - Savings account No. 7492501323/5	20,220,009	912,843	94,673,551	20,220,009	912,843	94,671,041
FIRST NATIONAL BANK - Current Account 62797400737	148,127,764	121,253,906	-	148,127,765	121,253,907	-
Cash on hand	-	-	-	20,782	20,782	14,025
Total	**179,484,685**	**127,504,811**	**97,931,196**	**179,144,183**	**115,271,512**	**89,560,930**

VBS Mutual Bank

An amount of R50 million was invested with VBS Mutual Bank. The municipality received a notice on the 11th March 2018 that the bank was placed under curatorship by the South African Reserve Bank. The curatorship detailed that all deposits and interest payments have been suspended. At its meeting held on the 28 March 2018, the Council resolved to request the MEC: Finance of Gauteng to institute a forensic investigation regarding the investment of Municipal funds with VBS Bank. The report known as the Deloitte report was received and Council resolved at a meeting held on 01 March 2019 to implement the recommendations of the report. The municipality is implementing the recommendations in the Deloitte report to the fullest extent. VBS Mutual bank was placed under liquidation on the 13 November 2018. The municipality submitted a claim to the liquidator on the amount invested with VBS Mutual bank.

Figures in Rand	2020	2019

15. Other financial liabilities

At amortised cost		
Nedbank	33,178,328	35,481,009
The Nedbank loan with an interest rate 11.22% will redeem 30 May 2025		
DBSA	17,421,966	21,607,199
The Development Bank of Southern Africa loan with an interest rate of 5% will redeem 30 September 2027		
	50,600,294	**57,088,208**

Total other financial liabilities

Non-current liabilities		
At amortised cost	43,593,776	51,752,785
Current liabilities		
At amortised cost	7,006,518	5,335,423

16. Finance lease obligation

Minimum lease payments due		
- within one year	102,600	399,894
- in second to fifth year inclusive	76,950	179,550
	179,550	579,444
less: future finance charges	(25,668)	(78,780)
Present value of minimum lease payments	**153,882**	**500,664**
Present value of minimum lease payments due		
- within one year	82,217	346,782
- in second to fifth year inclusive	71,665	153,882
	153,882	**500,664**
Non-current liabilities	71,664	153,882
Current liabilities	82,217	346,782
	153,881	**500,664**

The lease terms average from two to five years and the effective borrowing rate for photocopier machines, is as determined by the Standard Interest Rate to be levied on debt owing to the state. Obligations under finance leases are secured by the lessor's title to the leased asset.

17. Unspent conditional grants, receipts and donations

Unspent conditional grants, receipts and donations comprises of:

Unspent conditional grants and receipts		
MIG Grants	44,406,925	18,578,097
Water Services Infrastructure Grant	46,780,192	34,908,595
WRDM	612,648	557,031
Department of Mineral Energy	3,184,549	(1,287,090)
Department of Sports, arts, culture and recreation	6,584,819	-
Department of Water Affairs	-	11,137,359
EPWP	290,305	-
Human Settlement Grant	6,570,925	34,913,687
Provincial Disaster Fund	4,219	7,881,014
Department of Cooperative Governance and Traditional Affairs	163,923	-
FMG & MSIG	3,607	-
Municipal Disaster Grant (Covid)	596,000	-
Other grants and donations	7,679,239	6,248,683
	116,877,351	**112,937,376**

Movement during the year

Balance at the beginning of the year	112,937,376	122,933,137
Additions during the year	184,703,050	235,461,798
Income recognition during the year	(180,763,075)	(245,457,559)
	116,877,351	**112,937,376**

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

18. Provisions

Reconciliation of provisions • 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for rehabilitation of landfill sites	12,579,586	897,421	-	-	13,477,007
Performance bonus	3,648,054	1,202,385	-	-	4,850,439
Leave	23,107,909	15,192,316	(10,155,496)	-	28,144,729
Section 56 Salary Adjustments	630,945	-	-	-	630,945
Long service awards	43,402,946	5,232,121	(2,542,067)	-	46,093,000
	83,369,440	**22,524,244**	**(12,697,563)**	**•**	**93,196,120**

Reconciliation of provisions • 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision for rehabilitation of landfill sites	11,365,541	1,214,045	-	-	12,579,586
Performance bonus	3,168,491	1,258,406	(712,347)	(66,496)	3,648,054
Leave	25,015,567	8,899,578	(10,807,236)	-	23,107,909
Section 56 Salary Adjustments	630,945	-	-	-	630,945
Long service awards	42,086,477	1,316,469	-	-	43,402,946
	82,267,021	**12,688,498**	**(11,519,583)**	**(66,496)**	**83,369,440**

	2020	2019
Non-current liabilities	53,665,007	52,068,812
Current liabilities	39,531,113	31,300,628
	93,196,120	**83,369,440**

Provision for rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation, discounted at the prevailing prime interest rate, over the estimate useful life of the landfill site. The calculation was done internally.

Performance bonus

Performance bonuses are paid one year in arrears as the assessment of eligible employees has not taken place at the reporting date and no present obligation exists.

Long service awards

An actuarial valuation has been performed of Merafong Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards. The unfunded liability in respect of past service has been estimated to be R 43,402,946.

19. Payables from exchange transactions

	2020	2019
Trade payables	783,414,409	547,805,080
Payments received in advance	23,765,148	16,739,212
Outstanding cheques	8,173,007	26,042,363
Retentions	25,974,860	18,634,376
Deposits received	1,070,391	1,019,791
Accruals and sundry creditors	5,224,773	6,813,045
	847,622,588	**617,053,867**

Figures in Rand	2020	2019

19. Payables from exchange transactions (continued)

Fair value of trade and other payables

The fair value of trade and other payables approximates their carrying amounts.

20. Other financial instruments disclosure

Financial instruments in Statement of financial performance

	2020	2019
At amortised cost		
Interest earned - external investment	8,339,486	9,557,868
Interest earned - outstanding receivables	148,639,919	107,050,275
Debt Impairment	(559,293,399)	(381,292,269)
Finance costs	(52,667,196)	(35,867,788)
	768,940,000	**533,768,200**

21. Consumer deposits

	2020	2019
Electricity and Water and Sundries	18,204,521	15,785,335

22. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

	2020	2019
At amortised cost		
Payables	847,622,583	617,053,866
Finance lease obligation	153,881	500,664
Long-term liabilities	50,600,294	57,088,208
Consumer deposits	18,204,521	15,785,335
Unspent conditional grants and receipts	116,877,351	112,937,376
	1,033,458,630	**803,365,449**

23. Property rates

Rates received

	2020	2019
Residential	564,453,506	229,332,643
Less: Income forgone	(54,701,568)	(48,857,815)
	509,751,938	180,474,828
Property rates - penalties imposed and collection charges	3,302,568	6,462,316
	513,054,506	**186,937,144**

Valuations R'000

	2020	2019
Residential	6,773,000	7,736,611
Commercial	8,662,179	3,469,562
State	25,132	25,132
Municipal	137,300	141,434
	15,597,611	**11,372,739**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2019. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations and subdivisions. A general rate of R0.0157 (2019: R0.0148) is applied to property valuations for residential properties, R0.0380 (2019: R0.0359) for businesses and R0.0449 (2019: R0.0476) for mines to determine assessment rates. Rates are levied on a monthly basis on property owners. Interest at the Prime interest rate is levied on outstanding rates.

Figures in Rand	2020	2019

24. Service charges

Sale of electricity	248,709,722	246,024,174
Sale of water	338,884,979	324,383,140
Sewerage and sanitation charges	61,645,983	55,679,084
Refuse removal	71,550,086	64,349,595
Rent subsidised housing	1,219,639	1,173,163
	722,010,409	**691,609,156**

Figures in Rand	2020	2019

25. Government grants and subsidies

Equitable share and other government grants	382,949,246	428,900,682

Equitable Share

The amount received and spent for equitable share was R204,067,903 (2019: R184,932,000).

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

All registered indigents receive a monthly subsidy of R419.34 (2019: R446.84), which is funded from this grant.

MIG Grant

Balance unspent at beginning of year	18,578,097	-
Funds witheld	(18,578,097)	-
Current-year receipts	66,275,000	67,638,000
Conditions met - transferred to revenue	(31,868,075)	(49,059,903)
	34,406,925	**18,578,097**

Conditions still to be met - remain liabilities (see note 17).

National Treasury had not approved the Roll over application from Council. Council forfeited R18,578,097.

Water Services Infrastructure Grant

Balance unspent at beginning of year	34,908,595	11,307,638
Current-year receipts	35,000,000	45,000,000
Restructuring	(13,128,403)	(21,399,043)
	56,780,192	**34,908,595**

Conditions still to be met - remain liabilities (see note 17).

Provincial Disaster Fund

Balance unspent at beginning of year	7,881,014	23,916,899
Current-year receipts	-	21,317,000
Conditions met - transferred to revenue	(7,876,795)	(37,352,885)
	4,219	**7,881,014**

Conditions still to be met - remain liabilities (see note 17).

National Treasury had not approved the Roll over application from Council. Council forfeited R265,338.08.

Human Settlement Grant

Balance unspent at beginning of year	34,913,688	83,453,800
Current-year receipts	57,634,048	46,900,000
Conditions met - transferred to revenue	(85,976,811)	(95,440,112)
	6,570,925	**34,913,688**

Conditions still to be met - remain liabilities (see note 17).

West Rand District Municipality

25. Government grants and subsidies (continued)

Balance unspent at beginning of year	557,031	-
Current-year receipts	1,880,544	2,270,400
Conditions met - transferred to revenue	(1,824,927)	(1,713,369)
	612,648	**557,031**

Conditions still to be met - remain liabilities (see note 17).

Department of Mineral Resources and Energy

Balance unspent at beginning of year	(1,287,090)	132,516
Current-year receipts	15,600,000	10,000,000
Conditions met - transferred to revenue	(11,128,361)	(11,419,606)
	3,184,549	**(1,287,090)**

Conditions still to be met - remain liabilities (see note 17).

This grant was used to construct infrastructure. Other than the unspent amount, the conditions of the grant were met.

National Treasury had not approved the Roll over application from Council. Council forfeited R509,000.

Department of Sports, arts, culture and recreation

Current-year receipts	20,700,000	15,330,000
Conditions met - transferred to revenue	(14,115,181)	(15,330,000)
	6,584,819	•

Conditions still to be met - remain liabilities (see note 17).

EPWP

Current-year receipts	1,000,000	1,180,000
Conditions met - transferred to revenue	(709,695)	(1,180,000)
	290,305	•

Conditions still to be met - remain liabilities (see note 17).

Financial Management Grant (FMG)

Current-year receipts	2,165,000	1,700,000
Conditions met - transferred to revenue	(2,161,393)	(1,700,000)
	3,607	•

Conditions still to be met - remain liabilities (see note 17).

Department of Water and Sanitation

Balance unspent at beginning of year	11,137,359	-
Current-year receipts	-	20,000,000
Conditions met - transferred to revenue	(11,137,359)	(8,862,641)
	•	**11,137,359**

Department of Cooperative Governance and Traditional Affairs • Performance Management System

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

25. Government grants and subsidies (continued)

	2020	2019
	•	•

Department of Cooperative Governance and Traditional Affairs • EPWP Incentive

	2020	2019
Current-year receipts	1,000,000	500,000
Conditions met - transferred to revenue	(836,077)	(500,000)
	163,923	•

Conditions still to be met - remain liabilities (see note 17).

Department of Cooperative Governance and Traditional Affairs • GRAP 17 Compliance

	2020	2019
Current-year receipts	-	500,000
Conditions met - transferred to revenue	-	(500,000)
	•	•

Municipal Disaster Grant (COVID)

	2020	2019
Current-year receipts	596,000	-
Conditions met - transferred to revenue	(596,000)	-
	•	•

26. Other income

	2020	2019
Building plan fees	3,216	495,910
Certificates and levies	475,650	246,503
Claims	47,335	332,727
Commission and other recoveries	249,347	198,156
Dumping	-	192,591
Fees and permits	431,614	842,491
Other income	2,106,928	2,384,860
	3,314,090	**4,693,238**

27. Public contributions and donations

	2020	2019
Public contributions and donations		
Donations	855,421	1,734,791

These contributions and donations were used for social upliftment. Other than the unspent amount, the conditions of these were met. No funds have been withheld.

	2020	2019
Reconciliation of unspent public contributions and donations		
Balance unspent at the beginning of the year	6,248,682	4,122,284
Current year receipts	1,430,555	2,126,398
	7,679,237	**6,248,682**

Figures in Rand	2020	2019

28. General expenses

Advertising	309,851	453,926
Bank charges	1,355,616	2,965,228
Cleaning	47,403	123,721
Community development and training	-	50
Conferences and seminars	20,803	5,000
Consumables	932,891	372,987
Electricity	11,614,351	15,393,590
Entertainment	-	7,725
Fuel and oil	13,038,915	11,543,994
Hire	1,761,121	1,366,332
IT expenses	3,809,413	3,765,742
Khutsong resettlement costs	-	499
Legal fees	56,000	-
Licences: Motor vehicle licence and registration	386,679	1,783,580
Maintenance of valuation roll	-	2,678,202
Other expenses	1,467,080	3,044,758
Printing and stationery	627,132	465,409
Professional Bodies, Membership and Subscription	4,032,590	-
Refuse	668,979	698,641
Repairs and maintenance	4,763,831	5,117,901
Sewerage	116,097	101,041
Software expenses	-	102,294
System Access and Information Fees	2,027,570	-
Telephone and fax	2,068,502	2,882,535
Third party pre-paid vending	-	2,247,209
Travel - local	44,646	42,975
Water	819,061	858,165
	49,968,531	**56,021,504**

Figures in Rand	2020	2019

29. Employee related costs

	2020	2019
Housing benefits and allowances	4,013,267	1,533,636
Leave pay provision charge	12,650,247	-
Long-service awards	2,542,068	-
Performance bonus	1,202,384	1,191,910
Medical aid - company contributions	16,910,528	23,501,351
Medical past service cost	2,133,545	35,432
Overtime payments	24,237,112	22,899,297
Pension	27,312,564	35,667,247
Long service bonus	1,643	3,330,168
Provident fund	19	2,063,508
SALGBC	107,714	100,772
SDL	-	7,750
Salaries and wages	213,641,185	219,279,367
Travel, motor car, accommodation, subsistence and other allowances	9,816,641	10,372,370
UIF	1,463,464	1,505,316
WCA	720,819	2,887,795
	316,753,200	**324,375,919**

Remuneration of Municipal Manager

	2020	2019
Annual Remuneration	1,288,259	1,201,227
Travel, motor car, accommodation, subsistence and other allowances	165,900	166,827
Contributions to UIF, Medical and Pension Funds	268,415	330,519
	1,722,574	**1,698,573**

Remuneration of Chief Financial Officer

	2020	2019
Annual Remuneration	493,591	906,397
Travel, motor car, accommodation, subsistence and other allowances	76,733	153,695
Contributions to UIF, Medical and Pension Funds	135,966	328,487
	706,290	**1,388,579**

Remuneration of Chief Operating Officer

	2020	2019
Annual Remuneration	1,358,060	1,074,119
Travel, motor car, accommodation, subsistence and other allowances	79,991	82,234
Performance & other bonuses	-	176,271
Contributions to UIF, Medical and Pension Funds	275,912	245,866
	1,713,963	**1,578,490**

Remuneration of executive directors

2020	Infrastructure Development Moletsane Meriam, Morokane	Corporate Services Bredenkamp Heindrich	Community Services Mantjane Sekgatlane, Ezekiel	Economic Development & Planning Peu:Lerato, Catherine	Total
Annual remuneration	696,724	695,730	1,026,177	824,205	3,242,836
Travel, motor car, accommodation, subsistence and other allowances	205,524	166,321	152,747	232,156	756,748
Contributions to UIF, Medical and Pension Funds	179,832	222,777	279,663	22,719	704,991
	1,082,080	**1,084,828**	**1,458,587**	**1,079,080**	**4,704,575**

Figures in Rand				2020	2019

29. Employee related costs (continued)

2019	Infrastructure DevelopmentM oletsane Meria m, Morokane	Corporate ServicesBrede nkamp Heindri ch	Community ServicesMantja ne Sekgatlane, Ezekiel	Economic Development & PlanningPeu:L erato, Catherin e	Total
Annual remuneration	524,622	673,081	913,024	596,600	2,707,327
Travel, motor car, accommodation, subsistence and other allowances	53,209	168,748	157,116	175,487	554,560
Contributions to UIF, Medical and Pension Funds	744	214,047	318,439	15,670	548,900
	578,575	**1,055,876**	**1,388,579**	**787,757**	**3,810,787**

Refer to Related Party note for related party relationships (see note 42).

30. Remuneration of councillors

	2020	2019
Executive Mayor	903,870	902,870
Executive Committee Members	7,474,738	8,445,632
Speaker	731,974	730,974
Councillors	13,744,293	13,739,311
	22,854,875	**23,818,787**

There are 10 (2019:10) Executive Committee Members and 43 (2019:43) other Councillors.

In-kind benefits

The Executive Mayor, Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor, Speaker and Chief Whip has the use of a Council owned vehicle for official duties.

The Executive Mayor has full-time VIP protection personnel.

The Speaker has full-time VIP protection personnel.

31. Debt impairment

	2020	2019
Receivables from exchange transactions	541,755,264	363,453,105
Other receivables from non-exchange transactions	17,538,135	17,839,164
	559,293,399	**381,292,269**

32. Investment revenue

	2020	2019
Interest revenue		
Bank and investments	8,339,486	9,557,868

33. Depreciation and amortisation

	2020	2019
Property, plant and equipment	75,984,094	106,555,942
Intangible assets	857,991	366,291
	76,842,085	**106,922,233**

Figures in Rand	2020	2019

34. Finance costs

External loans	4,875,456	5,397,392
Finance leases	53,112	122,149
Interest: Rehabilitation of landfill sites	1,117,067	1,011,533
Interest: Arrear accounts	46,621,561	29,336,714
	52,667,196	**35,867,788**

35. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	1,035,647	1,173,096
Rental of equipment	85,529	85,614
	1,121,176	**1,258,710**

36. Contracted services

Fleet Services	24,731,389	24,935,160
Operating Leases	3,047,439	2,872,280
Specialist Services	31,779,051	23,748,633
Other Contractors	21,245,926	23,013,341
	80,803,805	**74,569,414**

37. Grants and subsidies paid

Other subsidies		
Housing top structures	5,493,927	-
	5,493,927	**-**

38. Bulk purchases

Electricity - Eskom	302,897,710	272,340,339
Water	234,768,645	241,645,928
	537,666,355	**513,986,267**

Figures in Rand	2020	2019

39. Cash generated from operations

Surplus (deficit) **Adjustments for:** Depreciation and amortisation	56,677,327 76,842,085	(63,368,969) 106,922,233
(Gain) on sale of assets and liabilities	(52,783)	-
Impairment loss - Other	13,290,739	13,290,739
Debt impairment	559,293,399	381,292,269
Movements in retirement benefit assets and liabilities	(19,900,524)	(2,105,255)
Movements in provisions	9,826,680	1,102,419
Other	41,492,954	99,929,123
Other non-cash items		
Inventories	(93,770)	22,061,861
Receivables from exchange transactions	15,442	6,697,187
Consumer debtors	(764,228,116)	(420,965,495)
Other receivables from non-exchange transactions	5,973,659	(2,156,753)
Payables from exchange transactions	230,568,716	196,306,501
VAT	(11,264,755)	(102,342,259)
Unspent conditional grants, receipts and donations	3,939,975	(9,995,761)
Consumer deposits	2,419,186	808,194
	204,800,214	**227,476,034**

40. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment - Infrastructure	284,836,253	78,583,993
• Other financial assets	2,006,917	4,952,221
	286,843,170	**83,536,214**

This expenditure will be financed from:		
Government grants	284,836,253	78,583,993
Own resources	2,006,917	4,952,221
	286,843,170	**83,536,214**

Total capital commitments		
Already contracted for but not provided for	286,843,170	83,536,214

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

41. Contingencies

	2020	2019
Appeals against valuations mining properties claimants: Anglogold Ashanti, Harmony gold, Goldfields	302,000,000	302,000,000
Appeals court application for the provision of water to the mines- Claimant: Anglogold Ashanti	10,000,000	10,000,000
Claim for payment of overdue account: Envision projects (Pty) Ltd	-	555,948
Claim for payment of overdue account: Fidelity Security Services	-	4,993,919
Claim for payment of overdue account: Nkopane Project Management	-	1,237,095
Combined Summons: Claim for Outstanding Payment for VAT claim submitted	693,279	693,279
Combined summons: high court: alleged unlawful termination of contract: MogaleSolution Providers	-	3,900,000
Combines summons: High Court Melsibongakonke, Face of Earth, DPM Trading(grasscutting contract)	-	4,801,053
Dispute SALGBC: Payment of acting allowances	600,000	-
Dispute SALGBC: Unfair dismissal GPD071910	100,000	-
Dispute SALGBC: Unfair dismissal GPD071906	100,000	-
Notice of Motion: Labour Court: Application to make bargaining council award an order of court	3,500,000	3,500,000
Review application on SALGBC award: unfair dismissal: HS Mageza	-	1,000,000
Review application on SALGBC award: unfair labour practice: TK Poo and others	450,000	1,500,000
Review application: SALGBC Award DM Hobe	2,300,000	2,300,000
	319,743,279	**336,481,294**

42. Related parties

Relationships

Municipal Manager (Key management)	Peu Lerato, Catherine
Chief Financial Officer (Key management)	Magongwa Julia, Ramogale
Chief Operating Officer (Key management)	Nieuwoudt Casper, Wilhelmus, Albertus
Executive Director (Key management)	Mantjane Sekgatlane, Ezekiel
Executive Director (Key management)	Moletsane Morakane, Merriam
Executive Director (Key management)	Bredenkamp, Heinrich
Executive Director (Key management)	Peu, Lerato, Catherine

Refer to Employee related Costs note for remuneration of Key Management Personnel (see note 29).

Contracts were awarded to family members of municipal officials of the municipality during the year

Name	**Capacity**	**Amount**
MB Lephuting	Councillor	R28,000.00

43. Change in estimate

Property, plant and equipment

There was a change in useful lives review which had the following impact:

Depreciation expense on affected assets before remaining useful lives review:	2019: R874,110
Depreciation expense on affected assets after remaining useful lives review:	2019: R324,748
Future reduction in depreciation due to review:	2019: R549,362

44. Prior period errors

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

44. Fruitless and wasteful expenditure (continued)

Statement of financial position		
Inventories	-	(22,161,783)
Consumer debtors	-	33,324,165
Investment property	-	320,218,730
Property, plant and equipment	-	(298,199,096)
Heritage assets	-	(2,468)
Payables from exchange transactions	-	(343,639)
VAT payable (receivable)	-	121,363,814
Accumulated surplus	-	(117,411,821)
Statement of financial performance		
Service charges	-	2,583,900
Other income	-	1,052,959
Property rates - penalties imposed	-	(1,052,959)
Government grants & subsidies	-	1,713,369
Public contributions and donations	-	(1,713,369)
Employee related costs	-	8,436
Remuneration of councillors	-	(8,436)
Depreciation and amortisation	-	(30,659)
Debt impairment	-	(36,462,302)
General expenses	-	(2,878,841)

45. Comparative figures

Certain comparative figures have been reclassified and/or renamed in order for the item/transactions to be more in-line with the benchmark presentation and disclosure according to the GRAP Reporting Framework.

46. Risk management

Liquidity risk

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

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

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	82,217	71,664	-	-
Trade and other payables	847,622,583	-	-	-

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	346,782	153,882	-	-
Derivative financial instruments	6,389,479	4,118,908	13,760,124	32,819,697
Trade and other payables	617,053,866	-	-	-

46. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. Municipality policy is to maintain approximately 60% of its borrowings in fixed rate instruments.

At year end, financial instruments exposed to interest rate risk were as follows:

Call deposits
Notice deposits
Development Bank of South Africa loan

Credit risk

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

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

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

Financial instrument	**2020**	**2019**
First National Bank	179,213,648	115,250,729
Trade and other receivables	548,829,683	192,045,068
VBS Mutual Bank	50,422,333	50,422,333

47. Going concern

We draw attention to the fact that at 30 June 2020, the municipality had an accumulated surplus of R 2,598,391,279 and that the municipality's total assets exceeds it total liabilities by R 2,598,391,279.

48. Events after the reporting date

In the last 3 months of the financial year, the country was affected by Covid19 pandemic which resulted in the poor collection of revenue and low implementation of capital projects/service delivery. The Municipal Manager was suspended during the period under review. There were no subsequent event after the reporting date which requires disclosure.

49. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure - Interest on arrear accounts	48,254,267	29,156,284
Less: Amounts written off by council	-	(29,156,284)
	48,254,267	**-**

50. Irregular expenditure

Opening balance	73,431,550	63,802,789
Add: Expenditure - current year	35,614,937	9,628,761
	109,046,487	**73,431,550**

51. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Opening balance	6,204,645	3,006,295
Current year subscription	4,032,590	3,798,350
Amount paid - current year	(1,000,000)	(600,000)
	9,237,235	**6,204,645**

Audit fees

Opening balance	6,494,561	4,274,238
Current year audit fee	8,003,206	4,264,246
Amount paid - current year	(7,045,838)	(2,043,922)
	7,451,929	**6,494,561**

PAYE and UIF

Current year payroll deductions	51,272,953	50,261,583
Amount paid - current year	(51,272,953)	(50,261,583)
	-	-

Pension and Medical Aid Deductions

Current year payroll deductions and council contributions	93,365,387	91,239,144
Amount paid - current year	(93,365,387)	(91,239,144)
	-	-

VAT

VAT receivable	54,814,165	43,549,410

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

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

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

Councillors' arrear consumer accounts

No councillor had arrear accounts outstanding for more than 90 days at 30 June 2020.

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
JM Ndobatha	2,532	5,597	8,129
MP Lefakane	1,487	11,236	12,723
VG Mhani	4,472	18,830	23,302
KL Nabiso	2,616	17,767	20,383
	11,107	**53,430**	**64,537**

30 June 2019	Highest outstanding amount	Aging (in days)
JM Ndobatha	8,255	180+
MP Lefakane	18,670	180+
VG Mhani	35,892	180+
KL Nabiso	36,134	180+
	98,951	

52. Utilisation of Long-term liabilities reconciliation

Used to finance property, plant and equipment	50,600,293	57,088,208
	50,600,293	57,088,208

Long-term liabilities		
Used to finance property, plant and equipment	50,600,293	50,600,293

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

53. Deviation from supply chain management regulations

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

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

The expenses incurred, as listed hereunder, have been approved/condoned		
Emergencies	6,435,666	3,472,461
Impractical	1,583,941	3,845,071
	8,019,607	**7,317,532**

54. Transitional provisions

Transitional provision for Statutory Receivables

General information

The entity took advantage of the transitional provision as per Directive 3 of the GRAP Reporting Framework.

All Statutory Receivables have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108.

Some progress has been made towards full compliance with GRAP 108, but it is expected that full compliance will only be reached at the end of the transitional period. The entity intends to comply in full with GRAP 108 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Statutory Receivables in accordance with the requirements of the standard.

55. Distribution losses

During the year under consideration Merafong City Local Municipality had unaccounted water of 25.68% (2019: 47.16%) respectively. The total Rand value of these losses were R43,733,103 (2019: R68,363,490). These losses are represented by 3,747,481 Kl (2019: 7,310,167 Kl). The total technical losses of water amounted to R34,111,821 (2019: R53,323,522). Non-technical losses amounted to R9,621,283 (2019: R15,039,968) and are mainly due to deterioration of water reticulation system, burst pipes and unauthorised consumption.

During the year under consideration Merafong City Local Municipality had unaccounted Electricity of 51.36% (2019: 44.01%) respectively. The total Rand value of these losses were R150,167,272 (2019: R118,935,943). These losses are represented by 133,543,822 Kw (2019: 110,962,051 Kw). The total technical losses of electricity amounted to R127,642,181 (2019: R101,095,551). Non-technical losses amounted to R22,525,091 (2019: R17,840,391) and are due to unauthorised consumption, tampering and faulty meters.