

# THABAZIMBI LOCAL MUNICIPALITY

Annual Financial Statements  
for the year ended 30 June 2019



**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**GENERAL INFORMATION**

**Legal form of entity:** Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act 108 of 1996)

**Legislation governing the municipality's operations:** Local Government: Municipal Finance Management Act (Act no.56 of 2003)  
Local Government: Municipal Systems Act (Act 32 of 2000)  
Local Government: Municipal Structures Act (Act 117 of 1998)  
Constitution of the Republic of south Africa (Act 108 of 1998)  
Municipal Property Rates Act (act of 6 2004)  
Division of Revenue Act (Act 1 of 2007)

**Mayoral committee:**

Mayor	Cllr M Moselane (To 21 November 2018)
Mayor	Cllr JM Fischer (From 7 December 2018)
Speaker	Cllr L H Joubert
Chief Whip	Cllr P Strydom

**Community Services:**

Chairperson	Cllr Sanny Ndhlovu
Member	Cllr PL Serole
Member	Cllr XS Nozozo
Member	Cllr Grace Ntshabele

**Planning and economic development & Infrastructure:**

Chairperson	Cllr Lucy Mokgomo
Member	Cllr MD Comakae
Member	Cllr Z Esply
Member	Cllr Rachel Mokwena
Member	Cllr T Ramoabi
Member	Cllr Catherine Sikwane

**Finance Institutional Development & Transformation:**

Chairperson	Cllr Sam Makhubela
Member	Cllr T Hearne
Member	Cllr D Mampeule
Member	Cllr SM Matshelanokana
Member	Cllr T Molefe

**MPAC:**

Chairperson	Cllr Gert Gouws
Member	Cllr AR Ramogale
Member	Cllr I Nengwekhulu
Member	Cllr HO Selokela
Member	Cllr Francina Kokonyane

**Grading of local authority:** Category B (MDB Code: LIM361)

**Accounting Officer:** Mr TG Ramagaga

**Chief Finance Officer (CFO):** Mr KJ Matlou (Acting: 18 Feb 2019 to 16 Jul 2019)  
Mr MM Matolong (3 Dec 2018 to 15 Feb 2019)  
Mr T Chetty (Acting: Aug 2018 to Nov 2018)  
Mr MS Mhlanga (Jul 2018)

**Registered office:** 7 Rietbok Street, Thabazimbi, 0380

**Business address:** 7 Rietbok Street, Thabazimbi, 0380

**Postal address:** Private Bag X530, Thabazimbi, 0380

**Bankers:** ABSA Bank Limited

**Auditors:** Auditor General of South Africa (AGSA)

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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**Abbreviations**

COIDA	Compensation for Occupational Injuries and Diseases Act
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
MSIG	Municipal System Improvement grant
NDPG	Neighbourhood development and partnership grant
LGSETA	Local Government Services Sector Education & Training Authority
DHS	Department of Human Settlement
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SRAC	Sports, Recreation, Arts & Culture
DOE	Department of Energy
INEP	Integrated national electrification programme
WSIG	Water services infrastructure grant

**THABAZIMBI LOCAL MUNICIPALITY  
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**ACCOUNTING OFFICERS RESPONSIBILITY 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 were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant 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.

I, as the accounting officer (accounting authority), acknowledge that I am 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 me to meet these responsibilities, I have set 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.

I am 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.

I have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, I am satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the community 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 I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

I would like to bring the following material matters to your attention:

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING OFFICERS RESPONSIBILITY AND APPROVAL**

As at June 30, 2019, the municipality had an accumulated surplus of **R 335 million** and that the municipality's total assets exceed its total liabilities by **R 335 million**.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 26 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.

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 **XXX**.

The annual financial statements set out on pages 3 to 54, which have been prepared on the going concern basis, were approved by the municipality on 30 August 2019 and were signed on its behalf by:

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Accounting Officer (Mr TG Ramagaga)  
Date: 30 August 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

Figures in Rand

	Note(s)	2019	2018 *Restated
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	3	712 353 193	728 374 697
Biological assets	4	1 435 600	760 592
Intangible assets	5	154 095	308 190
<b>Total non current assets</b>		<b>713 942 888</b>	<b>729 443 478</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	36 835 994	523 222
Trade and other receivables from exchange transactions	7	79 304 592	49 558 838
Trade and other receivables from non-exchange transactions	8	34 338 919	14 783 894
Inventories	9	3 680 434	1 732 128
VAT receivable		8 735 707	14 588 446
<b>Total current assets</b>		<b>162 895 646</b>	<b>81 186 529</b>
<b>Total Assets</b>		<b>876 838 534</b>	<b>810 630 007</b>
<b>Liabilities</b>			
<b>Non-Current Liabilities</b>			
Borrowings	10	1 629 005	2 573 619
Provisions	11	41 634 824	38 812 060
Employee benefit obligations	12	38 058 758	35 190 283
Trade and other payables from exchange transactions	14	215 471 884	-
<b>Total non current liabilities</b>		<b>296 794 471</b>	<b>76 575 962</b>
<b>Current Liabilities</b>			
Current portion of borrowings	10	1 380 224	1 933 020
Current portion of provisions	11	2 063 905	1 953 595
Current portion of employee benefit obligations	12	1 488 288	1 434 400
Consumer deposits	13	4 028 784	4 099 231
Current portion of trade and other payables from exchange transactions	14	193 353 367	379 150 684
Unspent transfers and subsidies	15	40 509 904	-
Finance lease liability	51	2 015 438	1 831 289
<b>Total current liabilities</b>		<b>244 839 911</b>	<b>390 402 219</b>
<b>Total Liabilities</b>		<b>541 634 382</b>	<b>466 978 181</b>
<b>Net Assets</b>		<b>335 204 152</b>	<b>343 651 826</b>
Accumulated surplus		<b>335 204 152</b>	<b>343 651 825</b>

\*See Note 37

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand

	Note(s)	2019	2018 *Restated
<b>Revenue</b>			
<b>Revenue from non exchange transactions</b>			
Property rates (Taxation revenue)	16	69 337 778	24 511 290
Fines	17	1 287 850	1 183 359
Licence and permits	18	18 723	7 253
Government grants and subsidies	19	122 182 496	73 592 344
<b>Total non exchange revenue transactions</b>		<b>192 826 847</b>	<b>99 294 246</b>
<b>Revenue from exchange transactions</b>			
Service charges	20	143 896 453	108 158 730
Rental of facilities and equipment	21	2 958 079	408 402
Licences and permits	22	865 771	940 041
Other operational revenue	23	2 121 638	1 260 381
Interest income	24	26 307 512	19 995 437
<b>Total exchange transactions revenue</b>		<b>176 149 453</b>	<b>130 762 991</b>
<b>Total Revenue</b>		<b>368 976 300</b>	<b>230 057 237</b>
<b>Expenditure</b>			
Employee related cost	25	116 802 916	109 921 770
Remuneration of councillors	26	9 547 638	8 456 959
Impairment loss	27	40 256 423	74 818 486
Depreciation and amortisation	28	45 775 798	62 832 980
Finance costs	29	15 372 238	18 814 631
Bulk purchases	30	95 691 357	64 633 298
Inventory consumed		711 345	26 808
Contracted services	31	26 535 349	13 487 270
Operating leases		2 656 735	2 111 993
Operational costs	32	24 749 183	23 541 903
<b>Total Expenditure</b>		<b>378 098 981</b>	<b>378 646 098</b>
Fair value adjustment	4	675 008	(15 976)
<b>Surplus (deficit) for the year</b>		<b>(8 447 673)</b>	<b>(148 604 837)</b>

\*See Note 37

**THABAZIMBI LOCAL MUNICIPALITY  
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**STATEMENT OF CHANGES IN NET ASSETS**

Figures in Rand

	<b>Accumulated surplus</b>	<b>Total net assets</b>
<b>Opening balance</b>	<b>569 082 463</b>	<b>569 082 463</b>
Change in net assets:		
Restated Surplus/(Deficit) for the year	(148 604 837)	(148 604 837)
Adjustments:		
*Prior year adjustments (Note 37)	<b>37</b> (76 825 801)	(76 825 801)
<b>Balance at 1 July 2018 as restated</b>	<b>343 651 825</b>	<b>343 651 825</b>
Surplus (deficit) for the year	(8 447 673)	(8 447 673)
<b>Balance at 30 June 2019</b>	<b>335 204 152</b>	<b>335 204 152</b>

\*See Note 37



THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

Figures in Rand

	Note(s)	2019	2018
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Services charges		101 518 966	131 789 582
Grants		162 692 400	179 313 701
Rates and fines		51 624 758	3 153 000
Interest received on investments		1 304 761	19 995 437
Other receipts		3 006 132	-
		<b>320 147 017</b>	<b>334 251 720</b>
<b>Payments</b>			
Employee costs		126 721 023	112 041 879
Suppliers		125 684 282	216 080 379
Finance costs		-	10 778 418
		<b>252 405 305</b>	<b>338 900 676</b>
<b>Net cash flows from operating activities</b>	<b>33</b>	<b>67 741 712</b>	<b>(4 648 956)</b>
<b>Cash flows from investing activities</b>			
Acquisition of fixed assets	3	(29 596 080)	-
Acquisition of intangible assets		-	-
Net cash flows from investing activities		<b>(29 596 080)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Loan Repayments		(1 832 860)	-
Finance lease payments		-	-
Net cash flows from financing activities		<b>(1 832 860)</b>	<b>-</b>
Net increase/(decrease) in cash and cash equivalents		<b>36 312 772</b>	<b>(4 648 956)</b>
Cash and cash equivalents at the beginning of the year		523 222	5 172 178
Cash and cash equivalents at the end of the year	<b>6</b>	<b>36 835 994</b>	<b>523 222</b>

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**Statement of comparison of budget to actual amounts for the year ended 30 June 2019**

	<b>Original Budget</b>	<b>Budget Adjustments</b>	<b>Final Budget</b>	<b>Actual amount</b>	<b>Variance ZAR</b>	<b>Variance %</b>	<b>Note</b>
<b>Revenue By Source</b>							
Property rates	47 227 273	-	47 227 273	69 337 778	22 110 505	32%	<b>39.1</b>
Service charges	158 191 431	-	158 191 431	143 896 453	(14 294 978)	-10%	<b>39.2</b>
Rental of facilities and equipment	442 345	-	442 345	2 958 079	2 515 733	85%	<b>39.3</b>
Interest earned - external investments	52 076	-	52 076	1 304 761	1 252 685	96%	<b>39.4</b>
Interest earned - outstanding debtors	23 130 668	-	23 130 668	25 002 751	1 872 083	7%	
Fines	123 813	-	123 813	1 287 850	1 164 037	90%	<b>39.5</b>
Licences and permits	3 000 000	-	3 000 000	884 494	(2 115 506)	-239%	<b>39.6</b>
Transfers recognised	132 198 000	27 509 400	159 707 400	122 182 496	(37 524 904)	-31%	<b>39.7</b>
Other revenue	612 119	-	612 119	2 121 638	1 509 520	71%	<b>39.8</b>
<b>Total Revenue</b>	<b>364 977 726</b>	<b>27 509 400</b>	<b>392 487 126</b>	<b>368 976 300</b>	<b>(23 510 826)</b>		
<b>Expenditure By Type</b>							
Employee related costs	131 000 000	10 000 000	141 000 000	116 802 916	(24 197 084)	-21%	<b>39.9</b>
Remuneration of councillors	10 650 602	-	10 650 602	9 547 638	(1 102 964)	-12%	<b>39.10</b>
Debt impairment	6 645 941	-	6 645 941	40 256 423	33 610 482	83%	<b>39.11</b>
Depreciation and asset impairment	27 290 363	-	27 290 363	45 775 798	18 485 435	40%	<b>39.12</b>
Finance charges	9 500 000	2 500 000	12 000 000	15 372 238	3 372 238	22%	
Bulk purchases	107 354 981	165 506 385	272 861 366	95 691 357	(177 170 009)	-185%	<b>39.12</b>
Contracted services	8 250 000	2 464 000	10 714 000	26 535 349	15 821 349	60%	<b>39.12</b>
Other expenditure	63 255 051	42 490 000	105 745 051	28 117 262	(77 627 788)	-276%	<b>39.12</b>
<b>Total Expenditure</b>	<b>363 946 938</b>	<b>222 960 385</b>	<b>586 907 323</b>	<b>378 098 981</b>	<b>(208 808 342)</b>		
<b>Surplus/(Deficit) for the year</b>	<b>1 030 788</b>	<b>(195 450 985)</b>	<b>(194 420 197)</b>	<b>(9 122 681)</b>	<b>185 297 516</b>		

Explanation on material differences which are above 10% between final budget and actual are disclosed in note 39

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**Presentation of financial statements**

These 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 No 56 of 2003).

The Annual Financial Statements were prepared on the accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

**1 Summary of Significant Accounting Policies**

The accounting policies have been consistently applied to all the years presented.

**1.2 Presentation currency**

These Annual Financial Statement are presented in South Africa Rand, which is the functional currency of the Municipality.

**1.3 Going concern assumption**

These Annual Financial Statements were prepared based on the expectation that the Municipality will continue to operate as a going concern for at least the next 12 months.

**1.4 Offsetting**

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**1.5 Comparative and Budget Information**

**1.5.1 Current year comparatives**

The annual budget figures have been prepared in accordance with the Standard of GRAP and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements. The amounts are scheduled as a separate additional financial statements, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the notes to the Annual Financial Statements giving motivations for over- or under spending on line items where it is found to be material. The annual budget figures include budget information relating to subsidiaries or associated. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2018 to 30 June 2019.

In general, a difference of 10% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**1.5.2 Current year comparatives**

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

**1.6 Foreign Currencies**

Transactions in foreign currencies are translated to the functional currency of the entity at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost or fair value in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in surplus or deficit.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying, to the foreign currency amount, the exchange rate between the Rand and the foreign currency at the date of the cash flow.

**1.7 Significant judgements and estimates**

In the application of the municipality's accounting policies, which are described above, management is required to make judgement, estimates and assumption that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. The estimates and associated assumptions are based on historical experiences and other factors that are considered to reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates

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

**THABAZIMBI LOCAL MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.8 Cash and cash equivalents**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

**1.9 Inventories**

Inventories consist of consumables, materials and supplies and water, which are valued at the lower of cost, determined on the weighted average basis, and net realisable value, except for plants which are valued at the tariffs charged. Where it is held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

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

Redundant and slow moving inventories are identified and written down to their estimated net realisable values. Inventories are written down according to their age, condition and utility. Differences arising on the measurement of such inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

**1.10 Water Inventory**

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

The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates. Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

**THABAZIMBI LOCAL MUNICIPALITY  
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**ACCOUNTING POLICIES**

**1.11 Investment Property**

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

Where the classification of an investment property is based on management's Judgement, the following criteria have been applied to distinguish investment properties from owner-occupied property or property held for resale:

- All properties held to earn market-related rentals or for capital appreciation or both and that are not used for administrative purposes and that will not be sold within the next 12 months are classified as Investment Properties.
- Land held for a currently undetermined future use;
- A building owned (or held by under a finance lease) and leased out under one or more operating leases;
- Leased properties that are held to provide a social (community) service or that are necessary for employees to perform their job functions, but which also generates rental revenue are not seen as investment properties. The rental revenue generated is incidental to the purposes for which the property is held;
- A building that is vacant but is held to be leased out under one or more operating leases;
- Property that is being constructed or developed for future use as investment property.

Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30 year period.

Investment properties are derecognised (eliminated from the statement of financial position) 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. The gain or loss arising on the disposal of an investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Transfers are made to or from investment property only when there is a change in use.

**1.12 Property, Plant and Equipment**

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

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date. 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.

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**1.12 Property, Plant and Equipment (continued):**

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.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

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.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, excluding land and buildings, are measured at **cost**, less accumulated depreciation and accumulated impairment losses.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous impairment.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

Land is not depreciated as it is regarded as having an unlimited life. Depreciation on assets other than land is calculated using the straight line method, to allocate their cost or revalued amounts less their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the assets' future economic benefits or service potential are expected to be consumed by the Municipality. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately. The depreciation rates are based on the following estimated useful lives.

The estimated useful life, residual values and depreciation method are reviewed annually at the end of the financial year.

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its intended use. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

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**ACCOUNTING POLICIES**

**1.12 Property, Plant and Equipment (continued):**

**Asset class and depreciation**

Land - Land is not depreciated  
Plant and machinery - between 10 and 15 years  
Furniture and fixtures - between 7 and 10 years  
Motor vehicles - between 5 and 10 years  
Office equipment - between 3 and 5 years  
IT equipment - between 3 and 5 years  
Road infrastructure networks - between 15 and 30 years  
Community facilities - 30 years  
Electricity Infrastructure Network - between 20 and 30 years  
Solid Waste infrastructure - between 15 and 30 years  
Social Facilities - 20 years  
Security equipment - between 3 and 5 years  
Sport and Recreational Facilities - 20 years  
Bridges Infrastructure - 30 years  
Sanitation Network Infrastructure - between 15 and 20 years  
Water Network Infrastructure - between 15 and 20 years  
Servitudes - not depreciated  
Storm Water Infrastructure - 20 years

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying values of assets.

**1.13 Biological Assets**

Biological assets and agricultural produce are initially and subsequently measured at their fair value less estimated point-of-sale costs and agricultural produce harvested from the entity's biological assets are measured at their fair value less estimated point-of-sale costs at the point of harvest.

Where biological assets and agricultural produce are acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

Point-of-sale costs include commissions to brokers and dealers, levies by regulatory agencies and commodity exchanges, transfer taxes and duties but exclude transport and other costs necessary to get the assets to a market.

The fair value of biological assets is estimated by reference to the market value. The fair value of the plantations is based on the combined fair value of the land and the trees. The fair value of the raw land and land improvements is then deducted from the combined fair value to determine the fair value of the trees.

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

A gain or loss arising on initial recognition of agricultural produce at fair value less estimated point-of-sale costs is included in surplus or deficit for the period in which it arises.

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

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



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**1.14 Intangible Assets**

Intangible assets are identifiable non-monetary assets without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes are classified and recognised as intangible assets.

Intangible assets are initially recognised at cost. The cost of an intangible asset is the purchase price and other costs attributable to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality, or where an intangible asset is acquired at no cost, or for a nominal cost, the cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost.

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated on cost, using the straight-line method, over the useful lives of the assets, which is estimated to be between 3 to 10 years upon initial recognition. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised.

Intangible assets are annually tested for impairment and the estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

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 on the disposal or retirement of an intangible asset is determined as the difference between the net disposals proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.15 Impairment of Property, Plant and Equipment, Intangible Assets and Heritage Assets**

The Municipality classifies all assets held with the primary objective of generating a commercial return as cash-generating assets. A commercial return means that the return charged by the entity is commensurate with the risk associated with holding the asset and the asset is intended to generate positive cash inflows. All other assets are classified as non-cash-generating assets.

**1.15.1 Impairment of Cash-generating Assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable amount of the individual asset.

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

The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

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.

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**ACCOUNTING POLICIES**

**1.15.1 Impairment of Cash-generating Assets (continued):**

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

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

An impairment of assets carried at revalued amount reduces the revaluation surplus for that asset. The decrease shall be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

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

**1.15.2 Impairment of Non-cash-generating Assets**

The Municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

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

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

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

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**ACCOUNTING POLICIES**

**1.15.2 Impairment of Non-cash-generating Assets (continued):**

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

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**1.16 Financial Instruments**

A financial instrument is recognised if the Municipality becomes a party to the contractual provisions of the instrument.

**1.16.1 Financial Assets**

A financial asset is any asset that is a cash or contractual right to receive cash. In accordance with the Standards of GRAP 104 the Financial Assets of the Municipality are classified as follows into the three categories allowed by this standard:

- Financial asset at amortised cost being a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current asset
- Financial assets measured at fair value being financial assets that meet either of the following conditions:
  - a) Derivatives;
  - b) Combined instruments that are designated at fair value;
  - c) Instruments held for trading;
  - d) Non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; or
  - e) Financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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

The Municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto: (see note 41)

Financial asset at amortised cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an effective yield basis.

Trade and other receivables (excluding Value Added Taxation, prepayments and operating lease receivables), loans to Municipality entities and loans that have fixed and determinable payments that are not quoted in an active market are classified as financial asset at amortised cost.

Financial Assets measured at fair value are initially measured at fair value plus directly attributable transaction costs. They are subsequently measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss recorded in equity is recognised in the statement of financial performance, or determined to be impaired, at which time the cumulative loss recorded in equity is recognised in the Statement of Financial Performance.

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**ACCOUNTING POLICIES**

**1.16.1 Financial Assets (continued):**

Financial assets, other than those measured at fair value, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with the Standard of GRAP 104 of Financial Instruments.

Trade receivables encompass long term debtors, consumer debtors and other debtors. A provision for impairment of trade receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

According to the Standard of GRAP 104 on Financial Instruments, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. The following methodology was followed to make a provision for bad debts for the year under review:

- Consumer debtors are assessed individually thereafter collectively, considering factors such as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc.
- Other debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for impairment is made accordingly.
- Housing loans assessed by reviewing their payment histories and ratios. Provision for impairment is made accordingly.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

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 through the Statement of Financial Performance to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

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

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**ACCOUNTING POLICIES**

**1.16.2 Financial Liabilities**

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity.

The following main categories of Financial Liabilities and the classification determining how they are measured exist:

- Financial liabilities measured at fair value; or
- Financial liabilities measured at amortised cost.

The Municipality has the following types of financial liabilities (which include consumer deposits) as reflected on the face of the Statement of Financial Position or in the notes thereto: (See note 41)

Financial liabilities that are measured at fair value that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities should be classified as financial liabilities at amortised cost.

Financial liabilities measured at fair value are stated at fair value, with any resulted gain or loss recognised in the Statement of Financial Performance.

Any other financial liabilities classified at amortised cost (All payables, loans and borrowings are classified as other liabilities) and are initially measured at fair value, net of transaction costs. Trade and other payables, interest bearing debt including finance lease liabilities, non-interest bearing debt and bank borrowings are subsequently measured at amortised cost using the effective interest rate method. Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

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

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

**1.17 Provisions**

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.

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

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**ACCOUNTING POLICIES**

**1.17 Provisions (continued):**

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

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

**1.17.1 Environmental Rehabilitation Provisions**

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

**1.18 Employee Benefits**

The Municipality provides short term benefits, long term benefits and retirement benefits for its employees and councillors.

**1.18.1 Short-term Employee Benefits**

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits which are only recognised when the specific event occurs.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service.

**1.18.2 Post-employment Benefits: Defined Contribution Plans**

A defined contribution plan is a plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The Municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees.

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**1.18.3 Post-employment Benefits: Defined Benefit Plans**

A defined benefit plan is a plan that defines an amount of benefit that an employee will receive on retirement.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out by independent qualified actuaries regularly, as may be required for fair presentation.

Actuarial gains or losses recognised immediately in the Statement of Financial Performance.

**1.18.4 Post-retirement Health Care Benefits**

The Municipality has an obligation to provide post-retirement health care benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the Municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the Municipality is liable for a certain portion of the medical aid membership fee.

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

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

**1.18.5 Long-service Allowance**

The Municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the Municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The Municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

**1.19 Leases**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

**Municipality as Lessee**

Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Obligations. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

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**Municipality as Lessee (continued):**

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Municipality as Lessor**

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

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease. Other rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds etc. and is charged using the relevant approved tariffs.

**1.20 Revenue**

Revenue, excluding value-added taxation where applicable, is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided.

The Municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

**Service Charges – exchange revenue**

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

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.



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**ACCOUNTING POLICIES**

**Service Charges – exchange revenue (continued):**

Service charges from sewerage and sanitation are based on the type of service and the number of sewer connections on all developed property, using the tariffs approved by Council and are levied monthly.

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

**Pre-paid Electricity – exchange revenue**

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

**Sale of goods – exchange revenue**

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

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

**Rates and Taxes – non-exchange revenue**

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

**Fines – non-exchange revenue**

Fines constitute both spot fines and camera fines. Fines are recognised when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. It is measured at the best estimate, based on past experience, of the amount of revenue the Municipality is entitled to collect.

Subsequent to initial recognition and measurement, the Municipality assess the collectability of the revenue and recognises a separate impairment loss where appropriate.

**Revenue (interest earned/investment income)**

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

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

**Donations and Contributions – non-exchange revenue**

Donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**Transfers and subsidies – non-exchange revenue**

**Unconditional Grants**

Equitable share allocations are recognised in revenue at the start of the financial year as and when received.

**Conditional Grants**

Conditional grants recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the agreement contains a stipulation to return the asset, other future economic benefits or service potential, in the event of non-compliance to these stipulations and would be enforced by the transferor, a liability is recognised to the extent that the criteria, conditions or obligations have not been met. Where such requirements are not enforceable, or where past experience has indicated that the transferor has never enforced the requirement to return the transferred asset, other future economic benefits or service potential when breaches have occurred, the stipulation will be considered a restriction and is recognised as revenue.

Interest earned on grants received and invested is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**Transfers and subsidies – non-exchange expenditure**

The Municipality transfers money to individuals, organisations and other sectors of government from time to time. These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

**Related parties and related party transactions**

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

**Events after reporting date**

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

**1.21 Value added taxes (VAT)**

The Municipality is registered with the South African Revenue Services (SARS) for VAT on the payment basis in accordance with Section 15(2) of the VAT Act (Act 89 of 1991).

The annual financial statements have been prepared on the accrual basis of accounting. The municipality declares output tax and claims input tax in the tax period only to the extent to which payment under consideration is received or made in that tax period. The municipality accounts for VAT on a monthly basis.

The Municipality accounts for VAT on the cash basis.

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**1.22 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), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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

**1.23 Unauthorised Expenditure**

Unauthorised expenditure means any expenditure incurred by the municipality otherwise than in accordance with section 15 or 11(3) of the Municipal Finance Management Act (Act No. 56 of 2003), and includes:

- (i) Overspending of the total amount appropriated in the municipality's approved budget.
- (ii) Overspending of the total amount appropriated for a vote in the approved budget.
- (iii) Expenditure from a vote unrelated to the department or functional area covered by the vote.
- (iv) Expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose.
- (v) Spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of allocation otherwise than in accordance with any conditions of the allocation; or-
- (vi) A grant by the municipality otherwise than in accordance with the Municipal Finance Management Act.

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

**1.24 Fruitless and wasteful expenditure**

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

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

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**ACCOUNTING POLICIES**

**1.25 Commitments**

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

**2 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 April 2018 or later periods:

**Standards**

- GRAP 18 - Segment reporting (Not yet effective)
- GRAP 20 - Related Parties (Not yet effective)
- GRAP 32 - Service Concession arrangements: Grantor (Not yet effective)
- GRAP 34 - Separate financial statements (Not yet effective)
- GRAP 35 - Consolidated financial statements (Not yet effective)
- GRAP 36 - Investment in associates and Joint ventures (Not yet effective)
- GRAP 37 - Joint Arrangements (Not yet effective)
- GRAP 38 - Disclosure in interest in other entities (Not yet effective)
- GRAP 108 - Statutory receivables (Not yet effective)
- GRAP 109 - Accounting by principles and agents (Not yet effective)
- GRAP 110 - Living and non-living resources (Not yet effective)

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that other than additional disclosure, the impact of the standards on the financial statements will be minimal.

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Note 3 Property, plant and equipment**

Category	2019				2018			
	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value	Cost	Accumulated depreciation	Accumulated Impairment	Carrying value
Land	8 773 662	-	-	8 773 662	8 773 662	-	-	8 773 662
Machinery and Equipment	1 038 807	(857 353)	-	181 455	1 038 807	(820 771)	-	218 036
Furniture and Office Equipment	12 578 133	(8 889 861)	-	3 688 272	12 578 133	(8 494 421)	-	4 083 711
Transport assets	8 244 428	(6 233 567)	-	2 010 861	7 550 607	(6 170 974)	-	1 379 633
Computer equipment	3 763 499	(3 420 955)	-	342 544	3 763 499	(2 153 475)	-	1 610 024
Road Infrastructure	553 018 558	(300 093 814)	-	252 924 744	553 018 558	(281 677 273)	-	271 341 285
Community assets	259 042 152	(172 701 974)	-	86 340 178	259 042 152	(161 157 883)	-	97 884 269
Electrical Infrastructure	90 925 582	(57 263 519)	-	33 662 063	80 926 452	(55 422 421)	-	25 504 031
Solid Waste Infrastructure	824 162	(540 005)	-	284 158	824 162	(487 197)	-	336 965
Work in progress	19 899 367	-	-	19 899 367	996 238	-	-	996 238
Sanitation Infrastructure	117 229 442	(80 388 708)	-	36 840 734	117 229 442	(78 658 286)	-	38 571 156
Water Infrastructure	355 385 311	(159 355 398)	-	196 029 913	355 385 311	(149 084 869)	-	206 300 442
Other assets (Servitudes)	71 375 243	-	-	71 375 243	71 375 243	-	-	71 375 243
<b>Total</b>	<b>1 502 098 346</b>	<b>(789 745 153)</b>	<b>-</b>	<b>712 353 193</b>	<b>1 472 502 267</b>	<b>(744 127 570)</b>	<b>-</b>	<b>728 374 697</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2019

Category	2019							Closing balance
	Cost			Work in progress reconciliation				
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Additions to WIP	Transfers (out)	
Land	8 773 662	-	-	-	-	-	-	8 773 662
Machinery and Equipment	1 038 807	-	-	-	-	-	-	1 038 807
Furniture and Office Equipment	12 578 133	-	-	-	-	-	-	12 578 133
Transport assets	7 550 607	693 821	-	-	-	-	-	8 244 428
Computer equipment	3 763 499	-	-	-	-	-	-	3 763 499
Road Infrastructure	553 018 558	-	-	-	8 268 512	-	-	553 018 558
Community assets	259 042 152	-	-	-	326 242	-	-	259 042 152
Electrical Infrastructure	80 926 452	-	-	9 999 130	996 238	9 002 892	(9 999 130)	90 925 582
Solid Waste Infrastructure	824 162	-	-	-	-	-	-	824 162
Work in progress	996 238	28 902 259	-	(9 999 130)	-	-	-	19 899 367
Sanitation Infrastructure	117 229 442	-	-	-	-	-	-	117 229 442
Water Infrastructure	355 385 311	-	-	-	-	11 304 612	-	355 385 311
Other assets (Servitudes)	71 375 243	-	-	-	-	-	-	71 375 243
<b>Total</b>	<b>1 472 502 267</b>	<b>29 596 080</b>	<b>-</b>	<b>-</b>	<b>996 238</b>	<b>28 902 259</b>	<b>(9 999 130)</b>	<b>1 502 098 346</b>

Category	2019					Closing balance	Net carrying value
	Accumulated depreciation and impairment						
	Opening balance	Depreciation	Impairment	Disposals	Impairment on disposal		
Land	-	-	-	-	-	-	8 773 662
Machinery and Equipment	(820 771)	(36 582)	-	-	-	(857 353)	181 455
Furniture and Office Equipment	(8 494 421)	(395 440)	-	-	-	(8 889 861)	3 688 272
Transport assets	(6 170 974)	(62 593)	-	-	-	(6 233 567)	2 010 861
Computer equipment	(2 153 475)	(1 267 480)	-	-	-	(3 420 955)	342 544
Road Infrastructure	(281 677 273)	(18 416 541)	-	-	-	(300 093 814)	252 924 744
Community assets	(161 157 883)	(11 544 091)	-	-	-	(172 701 974)	86 340 178
Electrical Infrastructure	(55 422 421)	(1 841 098)	-	-	-	(57 263 519)	33 662 063
Solid Waste Infrastructure	(487 197)	(52 808)	-	-	-	(540 005)	284 158
Work in progress	-	-	-	-	-	-	19 899 367
Sanitation Infrastructure	(78 658 286)	(1 730 423)	-	-	-	(80 388 708)	36 840 734
Water Infrastructure	(149 084 869)	(10 270 529)	-	-	-	(159 355 398)	196 029 913
Other assets (Servitudes)	-	-	-	-	-	-	71 375 243
<b>Total</b>	<b>(744 127 570)</b>	<b>(45 621 703)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(789 745 153)</b>	<b>712 353 193</b>

Reconciliation of property, plant and equipment - 2018

Category	2018							Closing balance
	Cost			Work in progress reconciliation				
	Opening balance	Additions	Disposals	Transfer in/(out)	Opening balance	Additions to WIP	Transfers (out)	
Land	8 773 662	-	-	-	-	-	-	8 773 662
Machinery and Equipment	1 038 807	-	-	-	-	-	-	1 038 807
Furniture and Office Equipment	12 578 133	-	-	-	-	-	-	12 578 133
Transport assets	7 550 607	-	-	-	-	-	-	7 550 607
Computer equipment	3 763 499	-	-	-	-	-	-	3 763 499
Road Infrastructure	553 018 558	-	-	-	-	-	-	553 018 558
Community assets	259 042 152	-	-	-	-	-	-	259 042 152
Electrical Infrastructure	80 926 452	-	-	-	996 238	-	-	80 926 452
Solid Waste Infrastructure	824 162	-	-	-	-	-	-	824 162
Work in progress	-	104 996 238	-	(104 000 000)	-	-	-	996 238
Sanitation Infrastructure	117 229 442	-	-	-	-	-	-	117 229 442
Water Infrastructure	251 385 311	-	-	104 000 000	-	104 000 000	(104 000 000)	355 385 311
Other assets (Servitudes)	71 375 243	-	-	-	-	-	-	71 375 243
<b>Total</b>	<b>1 367 506 029</b>	<b>104 996 238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104 996 238</b>	<b>(104 000 000)</b>	<b>1 472 502 267</b>

Category	2018					Closing balance	Net carrying value
	Accumulated depreciation and impairment						
	Opening balance	Depreciation	Impairment	Disposals	Impairment on disposal		
Land	-	-	-	-	-	-	8 773 662
Machinery and Equipment	(760 127)	(60 644)	-	-	-	(820 771)	218 036
Furniture and Office Equipment	(7 752 367)	(742 054)	-	-	-	(8 494 421)	4 083 711
Transport assets	(5 289 406)	(881 568)	-	-	-	(6 170 974)	1 379 633
Computer equipment	(885 995)	(1 267 480)	-	-	-	(2 153 475)	1 610 024
Road Infrastructure	(248 793 786)	(32 883 487)	-	-	-	(281 677 273)	271 341 285
Community assets	(147 393 351)	(13 764 532)	-	-	-	(161 157 883)	97 884 269
Electrical Infrastructure	(53 550 261)	(1 872 160)	-	-	-	(55 422 421)	25 504 031
Solid Waste Infrastructure	(430 270)	(56 928)	-	-	-	(487 197)	336 965
Work in progress	-	-	-	-	-	-	996 238
Sanitation Infrastructure	(76 383 460)	(2 274 826)	-	-	-	(78 658 286)	38 571 156
Water Infrastructure	(140 209 663)	(8 875 206)	-	-	-	(149 084 869)	206 300 442
Other assets (Servitudes)	-	-	-	-	-	-	71 375 243
<b>Total</b>	<b>(681 448 685)</b>	<b>(62 678 885)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(744 127 570)</b>	<b>728 374 697</b>

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.  
Repairs and maintenance to property plant and equipment are included in note 31  
There are no slow moving WIP projects  
There are no restrictions to any of the Municipality's property plant and equipment.

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

**Note 3 Property plant and equipment continued**

Infrastructure and Community Assets: Annual review discussions were conducted with all Strategic Business Units during which impairment triggers and asset performance indicators were discussed and possible impairments were identified. In addition, insurance claims were also reviewed and considered as identifiers of possible impairment triggers. During physical field assessment, information pertaining to the condition and performance of these assets were recorded and further analysed to establish the impact on the value in use of identified components.

Moveable assets: During the asset verification, movable assets were identified that were not on the asset register. The assets were fair valued.

During the year Remaining Useful Lives have been reviewed on all depreciable assets. However, during the revaluation of infrastructure and the holistic approach adopted in the review of all asset portfolios. No assets were identified with remaining useful life that required to be changed. As a result, no change in accounting estimate are required during the current financial year.

Included on the face of the Statement of financial performance is the costs incurred for routine repairs and maintenance of fixed assets. These costs don't meet the definition of an asset, therefore, were expensed them during the current financial year.

	<b>2019</b>
Maintenance of Buildings and Facilities	44 247
Maintenance of Equipment	792 980
Maintenance of Unspecified Assets	9 115 582
	<b>9 952 809</b>
	<b>2018</b>
Maintenance of Buildings and Facilities	59 849
Maintenance of Equipment	53 091
Maintenance of Unspecified Assets	4 440 920
	<b>4 553 859</b>

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

THABAZIMBI LOCAL MUNICIPALITY

**Note 4 Biological assets**

<b>2019</b>		
<b>Cost/Valuation</b>	<b>Fair value adjustment</b>	<b>Carrying value</b>
Biological assets	760 592	675 008
		<b>1 435 600</b>
<b>2018</b>		
<b>Cost/Valuation</b>	<b>Fair value adjustment</b>	<b>Carrying value</b>
Biological assets	776 568	(15 976)
		<b>760 592</b>

**Reconciliation of investment properties**

<b>2019</b>			
<b>Cost/Valuation</b>	<b>Transfers</b>	<b>Fair value adjustments</b>	<b>Carrying value</b>
Biological assets	760 592	-	675 008
			<b>1 435 600</b>
<b>2018</b>			
<b>Cost/Valuation</b>	<b>Transfers</b>	<b>Fair value adjustments</b>	<b>Carrying value</b>
Biological assets	776 568	-	(15 976)
			<b>760 592</b>

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.

No amounts were expensed towards repairs and maintenance costs for biological assets.



THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued):

Note 5 - Intangible assets

	2019			2018		
	Cost	Accumulated Amortisation and Impairment	Carrying value	Cost	Accumulated Amortisation and Impairment	Carrying value
Computer Software	462 285	308 190	154 095	462 285	154 095	308 190
<b>Total</b>	<b>462 285</b>	<b>308 190</b>	<b>154 095</b>	<b>462 285</b>	<b>154 095</b>	<b>308 190</b>

Reconciliation of intangible assets - 2019

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	462 285	-	462 285	154 095	154 095	-	154 095
<b>Total</b>	<b>462 285</b>	<b>-</b>	<b>462 285</b>	<b>154 095</b>	<b>154 095</b>	<b>-</b>	<b>154 095</b>

Reconciliation of intangible assets - 2018

	Cost			Accumulated amortisation			Carrying value
	Opening balance	Additions	Closing balance	Opening balance	Amortisation	Impairment	
Computer Software	-	462 285	462 285	-	154 095	-	308 190
<b>Total</b>	<b>-</b>	<b>462 285</b>	<b>462 285</b>	<b>-</b>	<b>154 095</b>	<b>-</b>	<b>308 190</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 6 Cash and cash equivalents

Cash and cash equivalents consist of:

Cash at bank  
Call deposits  
Marketable securities  
Petty cash

2019	2018 Restate
2 126 876	336 699
34 600 646	85 149
103 030	95 933
5 442	5 442
<b>36 835 994</b>	<b>523 222</b>
-	-

Bank Guarantee

Call deposits and marketable securities earn interest rates depending on the market.

The municipality had the following bank accounts

Bank accounts

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384  
ABSA Bank Limited: Account Number 2057649514  
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009  
ABSA Bank Limited: Account Number 4058303004  
ABSA Bank Limited: Account Number 4094737590  
Petty cash

Total

30-Jun-19	30-Jun-18
34 527 455	11 959
73 190	73 190
103 030	95 933
2 039 189	336 415
139	284
87 548	-
5 442	5 442
<b>36 835 994</b>	<b>523 222</b>

The municipality had the following cash books

Cash book

Account number / description

Investment accounts

ABSA Bank Limited: Account Number 9301244384  
ABSA Bank Limited: Account Number 2057649514  
Marketable securities

Transactional accounts

ABSA Bank Limited: Account Number 1580000009  
ABSA Bank Limited: Account Number 4058303004  
ABSA Bank Limited: Account Number 4094737590

Total

30-Jun-19	30-Jun-18
34 527 455	11 959
73 190	73 190
103 030	95 933
2 039 189	336 415
139	284
87 548	-
<b>36 830 552</b>	<b>517 781</b>

Note 7 Trade and other receivables from exchange transactions

Net customer service debtors

Customer service debtors comprise:

Electricity  
Waste Management (Refuse)  
Waste Water Management (Sewerage and sanitation charges)  
Water  
Service charges

12 766 420	14 554 687
11 694 221	5 884 792
19 576 603	15 417 165
27 417 290	9 552 657
186 869	81 401
<b>71 641 404</b>	<b>45 490 701</b>

Net other receivables

Other receivables comprise:

Land sale debtors  
Merchandising Jobbing and Contracts  
Property rental debtors  
RD cheques

42 821	44 955
4 800 878	3 726 315
2 821 182	297 430
(1 692)	(563)
<b>7 663 189</b>	<b>4 068 137</b>

Total

<b>79 304 592</b>	<b>49 558 838</b>
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Gross customer service debtors

Gross customer service debtors comprise:

Electricity  
Waste Management (Refuse)  
Waste Water Management (Sewerage and sanitation charges)  
Water  
Service charges

24 110 989	23 645 810
40 421 300	27 993 729
64 771 992	50 020 160
96 027 641	59 247 575
1 136 084	892 022
<b>226 468 007</b>	<b>161 799 296</b>

Other receivables

Other receivables comprise:

Land sale debtors  
Merchandising Jobbing and Contracts  
Property rental debtors  
RD cheques

519 438	501 702
84 259 688	81 420 579
3 609 514	795 625
(1 692)	(563)
<b>88 386 948</b>	<b>82 717 342</b>

Total

<b>314 854 955</b>	<b>244 516 638</b>
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 7 Trade and other receivables from exchange transactions (continued):

2019

2018

Restate

Provision for customer service debtors

Customer service debtors comprise:

Electricity  
Waste Management (Refuse)  
Waste Water Management (Sewerage and sanitation charges)  
Water  
Service charges

(11 344 569)	(9 091 123)
(28 727 079)	(22 108 938)
(45 195 389)	(34 602 995)
(68 610 351)	(49 694 918)
(949 215)	(810 621)
<b>(154 826 603)</b>	<b>(116 308 595)</b>

Provision for Other receivables

Other receivables comprise:

Land sale debtors  
Merchandising Jobbing and Contracts  
Property rental debtors  
RD cheques

(476 617)	(456 747)
(79 458 810)	(77 694 264)
(788 332)	(498 195)
-	-
<b>(80 723 759)</b>	<b>(78 649 205)</b>

Total

**(235 550 362)**      **(194 957 800)**

Aging of property rates gross debtors - 2019

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	3 530 905	1 749 303	1 563 492	17 267 288
Merchandising Jobbing and Contracts	1 626 751	375 478	360 531	81 896 928
Property Rental Debtors	2 571 200	34 381	31 152	972 780
Service charges	30 172	20 343	11 487	1 074 082
Waste Management	1 396 937	1 274 668	1 110 250	36 639 446
Waste Water Management	3 198 524	2 105 312	1 854 213	57 613 942
Water	3 184 876	4 149 927	2 972 208	85 720 631
Land Sale Debtors	3 887	3 919	3 923	507 710
Less: provision for impairment	-	-	-	(235 550 362)
	<b>15 543 252</b>	<b>9 713 331</b>	<b>7 907 257</b>	<b>46 142 445</b>

Aging of property rates gross debtors - 2018

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Electricity	6 433 052	1 907 204	941 300	13 838 569
Merchandising Jobbing and Contracts	303 432	310 989	291 213	80 505 664
Property Rental Debtors	31 901	95 468	20 798	647 458
Service charges	62 083	9 454	40 215	772 446
Waste Management	1 153 075	917 154	852 790	25 073 321
Waste Water Management	1 809 121	1 727 734	1 494 073	44 990 430
Water	-7 278 156	3 078 131	1 504 281	62 481 735
Land Sale Debtors	3 965	3 991	4 017	489 729
Less: provision for impairment	-	-	-	(194 957 800)
	<b>2 518 472</b>	<b>8 050 126</b>	<b>5 148 688</b>	<b>33 841 552</b>

Reconciliation of the provision for impairment

Balance at the beginning of the year  
Impairment losses recognised  
Impairment losses reversed  
Amounts written off as irrecoverable

(194 957 800)	(147 483 965)
(40 592 562)	(47 473 835)
-	-
-	-
<b>(235 550 362)</b>	<b>(194 957 800)</b>

None of the trade and other receivables were pledged as security.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 8 Trade and other receivables from non-exchange transactions

	2019	2018 Restated
<b>Trade and other receivables from non-exchange transactions consist of:</b>		
Property rates debtors	32 231 889	13 719 835
Traffic fines debtors	2 107 030	1 064 059
	<b>34 338 919</b>	<b>14 783 894</b>
<b>Gross debtors</b>		
Property rates debtors	59 016 050	41 058 151
Traffic fines debtors	2 107 030	1 064 059
	<b>61 123 080</b>	<b>42 122 210</b>
<b>Less: Provision for impairment</b>		
Property rates debtors	(26 784 161)	(27 338 316)
Traffic fines debtors	-	-
	<b>(26 784 161)</b>	<b>(27 338 316)</b>
<b>Net debtors</b>		
Property rates debtors	32 231 889	13 719 835
Traffic fines debtors	2 107 030	1 064 059
	<b>34 338 919</b>	<b>14 783 894</b>

Aging of property rates gross debtors - 2019

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	1 426 363	1 332 035	750 684	6 611 526
Agricultural Purposes	353 984	333 656	505 461	10 582 084
Industrial Properties	98 014	48 018	33 815	251 276
Public Benefit Organisations	1 567	1 563	1 552	31 503
Residential Developed	3 050 576	1 835 762	1 627 071	24 227 202
Residential Vacant Land	1 977	1 917	1 949	174 665
State owned properties	30 052	29 839	229 557	567 371
Mining Properties	1 761 598	252 272	169 191	2 691 947
Less: provision for impairment	-	-	-	(26 784 161)
	<b>6 724 132</b>	<b>3 835 063</b>	<b>3 319 280</b>	<b>18 353 414</b>

Aging of property rates gross debtors - 2018

	Current (0 - 30 days)	31 - 60 days	61 - 90 days	Greater than 91 days
Business and Commercial	375 207	199 669	164 633	1 674 914
Agricultural Purposes	368 964	316 170	305 391	12 721 352
Industrial Properties	37 038	13 463	11 592	87 991
Public Benefit Organisations	3 720	2 979	2 382	18 070
Residential Developed	1 018 822	551 774	476 138	13 579 705
Residential Vacant Land	7 615	6 683	6 485	252 743
State owned properties	44 823	44 497	45 553	403 439
Mining Properties	1 761 127	372 943	376 864	5 805 405
Less: provision for impairment	-	-	-	(27 338 316)
	<b>3 617 315</b>	<b>1 508 178</b>	<b>1 389 038</b>	<b>7 205 304</b>

Reconciliation of the provision for impairment

Balance at the beginning of the year	(27 338 316)	-
Impairment losses recognised	-	(27 338 316)
Impairment losses reversed	359 579	-
Amounts written off as irrecoverable	-	-
	<b>(26 978 737)</b>	<b>(27 338 316)</b>

Note 9 Inventories

Consumables	2 200 550	462 330
Materials and Supplies	1 292 342	1 109 879
Water	187 543	159 919
	<b>3 680 434</b>	<b>1 732 128</b>
<b>Gross inventory</b>		
Consumables	2 350 715	462 330
Materials and Supplies	1 292 342	1 109 879
Water	187 543	159 919
	<b>3 830 600</b>	<b>1 732 128</b>
<b>Provision for redundant, obsolete and slow moving stock</b>		
Consumables	(150 165)	-
Materials and Supplies	-	-
Water	-	-
	<b>(150 165)</b>	<b>-</b>

No inventory was pledged as security for liabilities.  
Inventory expensed during the period amounted to R837 345 (2018: R26 808).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 10 Borrowings**

	2019	2018 Restated
Development Bank of South Africa	<u>3 009 229</u>	<u>4 506 639</u>
Split as follows:		
Non-current portion	1 629 005	2 573 619
Current portion (payable in the next 12 months)	1 380 224	1 933 020
	<u>3 009 229</u>	<u>4 506 639</u>

The loan from DBSA bears interest at 9.62% and is redeemable in monthly instalments, including interest, until January 2022.

**Note 11 Provisions**

**Environmental rehabilitation provision (Landfill sites)**

Opening balance	40 765 656	40 455 107
Change in landfill closure provision	(32 177)	(3 104 510)
Interest cost	2 965 251	3 415 059
Other movements	-	-
	<u>43 698 730</u>	<u>40 765 656</u>

The provision for environmental rehabilitation relates to the rehabilitation of the landfill sites and are split as follows:

Non-current portion	41 634 824	38 812 060
Current portion	2 063 905	1 953 595
	<u>43 698 729</u>	<u>40 765 655</u>

The key financial assumptions used for the calculation of the landfill site provision are detailed below:

**For Northam (old) landfill site**

Consumer price inflation (CPI)	4.195%	4.481%
Discount rate	7.695%	6.981%
Net effective discount rate	3.50%	2.50%

**For Northam (new) landfill site**

Consumer price inflation (CPI)	4.195%	4.481%
Discount rate	7.945%	7.231%
Net effective discount rate	3.75%	2.75%

**For Donkerpoort landfill site**

Consumer price inflation (CPI)	4.195%	4.481%
Discount rate	8.195%	7.481%
Net effective discount rate	4.00%	3.00%

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 12 Employee benefit obligations

Post-Retirement Medical Obligation	29 560 278	28 162 928
Long Service Awards	9 986 768	8 461 755
<b>Total employee benefit obligations</b>	<b>39 547 046</b>	<b>36 624 683</b>

**Non-current portion**

Post-Retirement Medical Obligation	28 988 612	27 683 390
Long Service Awards	9 070 146	7 506 893
	<b>38 058 758</b>	<b>35 190 283</b>

**Current portion**

Post-Retirement Medical Obligation	571 666	479 538
Long Service Awards	916 622	954 862
	<b>1 488 288</b>	<b>1 434 400</b>

12.1 Post-Retirement Medical Obligation

Balance at beginning of year	28 162 928	33 393 281
Current service cost	1 224 295	1 911 238
Interest cost	2 720 258	3 318 357
Actuarial (gain) / losses	(2 547 203)	(10 459 948)
Balance at end of year	<b>29 560 278</b>	<b>28 162 928</b>

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

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

The members of the Post-employment Medical Benefit are made up as follows:

In-service Members (Employees)	172	169
In-service Non-members (Employees)	162	155
Continuation Members (Retirees, widowers and orphans)	14	13
<b>Total members</b>	<b>348</b>	<b>337</b>

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

In-service Members (Employees)	19 805 966	18 807 649
In-service Non-members (Employees)	2 285 157	2 367 719
Continuation Members (Retirees, widowers and orphans)	7 469 155	6 987 560
<b>Total liability</b>	<b>29 560 278</b>	<b>28 162 928</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.1 Post-Retirement Medical Obligation (continued):

2019  
2018  
Restated

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

- (i) Bonitas
- (ii) Keyhealth
- (iii) LA Health
- (iv) Samwumed
- (v) Hosmed

The Current-service Cost for the year ending 30 June 2019 is estimated to be R1,224,295, whereas the cost for the ensuing year is estimated to be R1,202,511 (30 June 2018: R1,911,238 and R1,224,295 respectively).

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

Discount Rate	9.63%	9.74%
Health Care Cost Inflation Rate	7.04%	7.49%
Net Effective Discount Rate	2.42%	2.09%
Average retirement age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at beginning of year	28 162 928	33 393 281
Current service cost	1 224 295	1 911 238
Interest cost	2 720 258	3 318 357
Actuarial (gain) / losses	(2 547 203)	(10 459 948)
Balance at end of year	<b>29 560 278</b>	<b>28 162 928</b>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<b>29 560 278</b>	<b>28 162 928</b>
Unfunded Accrued Liability	<b>29 560 278</b>	<b>28 162 928</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 224 295	1 911 238
Interest cost	2 720 258	3 318 357
Actuarial losses / (gains)	(2 547 203)	(10 459 948)
	<b>1 397 350</b>	<b>(5 230 353)</b>

The history of experienced adjustments is as follows:

	2019	2018	2017	2016
Present Value of Defined Benefit Obligation	29 560 278	28 162 928	33 393 000	31 564 000
Fair value of plan assets	-	-	-	-
Experience adjustments	(235 000)	911 000	2 530 000	(1 496 000)

The effect of a 1% movement in the key assumptions is detailed below:

<b>Increase:</b>		
Health care inflation rate	35 372 000	33 819 000
Discount rate	25 111 000	23 836 000
<b>Decrease:</b>		
Health care inflation rate	24 978 000	23 719 000
Discount rate	35 277 000	33 746 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

12.2 Long Service Awards

	2019	2018 Restated
Balance at beginning of year	8 461 755	6 965 864
Current service cost	869 290	696 170
Interest cost	687 499	561 353
Actuarial (gain) / losses	(31 776)	238 368
Balance at end of year	<b>9 986 768</b>	<b>8 461 755</b>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long-service Award is payable after 10 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long service based on historical staff turnover.

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

At year end, 334 (2018: 324) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2019 is estimated to be R869,290 (2018: R696,170), whereas the cost for the ensuing year is estimated to be R1,015,530.

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

Discount Rate	8.18%	8.60%
General earnings inflation rate (long-term)	6.20%	5.56%
Net Effective Discount Rate	2.26%	2.48%
Average retirement age	62	62

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	8 461 755	6 965 864
Current service costs	869 290	696 170
Interest cost	687 499	561 353
Actuarial (gains) / losses	(31 776)	238 368
	<b>9 986 768</b>	<b>8 461 755</b>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<b>9 986 768</b>	<b>8 461 755</b>
Unfunded Accrued Liability	<b>9 986 768</b>	<b>8 461 755</b>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	869 290	696 170
Interest cost	687 499	561 353
Actuarial (gains) / losses	(31 776)	238 368
	<b>1 525 013</b>	<b>1 495 891</b>

The history of liabilities, assets and experience adjustments is as follows:

	2019	2018	2017	2016
Present Value of Defined Benefit Obligation	9 986 768	8 461 755	6 965 864	6 738 538
Fair value of plan assets	-	-	-	-
Experience adjustments	1 055 348	785 978	209 048	1 252 112

The effect of a 1% movement in the key assumptions is detailed below:

<b>Increase:</b>		
General earnings inflation rate	10 662 000	9 039 000
Discount rate	9 357 000	7 925 000
<b>Decrease:</b>		
General earnings inflation rate	9 375 000	7 940 000
Discount rate	10 694 000	9 066 000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 13 Consumer deposits**

	2019	2018 Restated
Consumer deposits	4 028 784	4 099 231
	<b>4 028 784</b>	<b>4 099 231</b>

**Note 14 Trade and other payables from exchange transactions**

**Current portion of trade and other payables from exchange transactions**

Trade payables	126 183 564	317 371 511
Advance payments	5 170 395	5 277 355
Agency fees payable	23 948 805	25 214 576
Payroll clearing and control accounts	5 029 431	5 828 655
Inventory clearing and control account	703 630	-383
Leave accrual	14 540 476	13 626 709
Bonus accrual	4 910 941	4 848 825
Unallocated deposits	5 047 752	-
Retention	7 818 374	6 983 436
	<b>193 353 367</b>	<b>379 150 684</b>

**Non-current portion of trade and other payables from exchange transactions**

Trade payables	215 471 884	-
	<b>408 825 251</b>	<b>379 150 684</b>

The Municipality has payment arrangements for various large outstanding creditors. The payment arrangements indicate that the debt is payable over a period which exceeds the current (12 months) term. The amount payable over and above a one year period has been disclosed as a non-current liability.

**Note 15 Unspent conditional grants and receipts**

Unspent conditional grants and receipts comprises of:

Integrated National Electrification Programme (INEP)	808	-
Human Settlements Development Grant	27 509 400	-
Municipal infrastructure grant (MIG)	-	-
Municipal water infrastructure grant (WSIG)	12 999 696	-
	<b>40 509 904</b>	<b>-</b>

See note 19 for a reconciliation of grants and receipts from National/Provincial Government.

**Note 16 Property rates**

Agricultural Property	(1 762 830)	2 545 017
Business and Commercial Properties	15 319 138	5 569 692
Industrial Properties	1 261 201	504 172
Mining Properties	16 296 703	(1 783 184)
Residential Properties	37 758 014	17 101 442
State-owned Properties	465 551	574 150
	<b>69 337 778</b>	<b>24 511 290</b>

**Valuations**

Residential Properties	4 775 732 918	3 203 474 000
Business and Commercial Properties	1 755 462 407	1 013 976 400
State-owned Properties	171 897 925	90 662 900
Small holdings and farms	8 628 425 340	7 711 045 200
Social and vacant land	880 024 265	220 516 930
	<b>16 211 542 855</b>	<b>12 239 675 430</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2018. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

**Note 17 Fines**

Traffic fines issued	<b>1 287 850</b>	<b>1 183 359</b>
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**Note 18 Licence and permits**

Licence and permits revenue comprise:

Trading licences	18 723	6 583
Drivers Licence Certificate	-	671
	<b>18 723</b>	<b>7 253</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 19 Government grants and subsidies	2019	2018 Restated
<b>Operating grants</b>		
Equitable share	85 841 000	68 976 000
Financial Management Grant (FMG)	2 215 000	2 145 000
Expanded public works programme grant (EPWP)	1 343 000	1 008 000
	<b>89 399 000</b>	<b>72 129 000</b>
<b>Capital grants</b>		
Municipal infrastructure grant (MIG)	9 784 000	-
Integrated National Electrification Programme (INEP)	9 999 192	-
Municipal water infrastructure grant (WSIG)	13 000 304	1 463 344
Human Settlements Development Grant	-	-
	<b>32 783 496</b>	<b>1 463 344</b>
<b>Total Government grants and subsidies</b>	<b>122 182 496</b>	<b>73 592 344</b>

**19.1 Equitable Share**

The grant is an unconditional grant and is used for the provision of indigent support through free basic services.

**19.2 Finance Management Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	2 215 000	2 145 000
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
Prior period error	-	-
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

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

**19.3 EPWP grant**

Balance unspent at beginning of year	-	-
Current-year receipts	1 343 000	1 008 000
Conditions met - transferred to revenue	(1 343 000)	(1 008 000)
Prior period error	-	-
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

The grant is used for extended public works programmes. All conditions of the grant were met.

**19.4 Municipal Infrastructure Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	9 784 000	-
Conditions met - transferred to revenue	(9 784 000)	-
Transfer from Waterberg District	-	-
<b>Unspent amount at year end</b>	<b>-</b>	<b>-</b>

This grant was used to construct basic municipal infrastructure to provide basic services for the benefit of household. All conditions of the grant were met.

**19.5 Integrated National Electrification Grant (INEP)**

Balance unspent at beginning of year	-	-
Current-year receipts	10 000 000	-
Conditions met - transferred to revenue	(9 999 192)	-
Prior period error	-	-
<b>Unspent amount at year end</b>	<b>808</b>	<b>-</b>

This grant is used for electrification projects as part of upgrading of informal settlement areas.

**19.6 Municipal water infrastructure grant (WSIG)**

Balance unspent at beginning of year	-	1 463 344
Current-year receipts	26 000 000	-
Conditions met - transferred to revenue	(13 000 304)	(1 463 344)
Prior period error	-	-
<b>Unspent amount at year end</b>	<b>12 999 696</b>	<b>-</b>

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

**19.7 Human Settlements Development Grant**

Balance unspent at beginning of year	-	-
Current-year receipts	27 509 400	-
Conditions met - transferred to revenue	-	-
Prior period error	-	-
<b>Unspent amount at year end</b>	<b>27 509 400</b>	<b>-</b>

The Human Settlements Development Grant (HSDG) is a schedule 5 grant of which the objective is the creation of sustainable and integrated human settlements that enable improved quality of household life and access to basic services. No conditions of the grant were met and it remains unspent.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 20 Service charges**

Sale of electricity
Waste Management (Refuse)
Waste Water Management (Sewerage and sanitation charges)
Sale of water

2019  
2018  
Restated

40 673 891	43 168 377
16 797 083	15 425 709
23 570 348	20 803 087
62 855 131	28 761 558
<b>143 896 453</b>	<b>108 158 730</b>

**Note 21 Rental of facilities and equipment**

Rental income comprise of:
Rental of property
Community assets
Other assets

368 501	360 687
2 589 578	47 715
-	-
<b>2 958 079</b>	<b>408 402</b>

**Note 22 Licences and permits**

Drivers Licence Application/Duplicate Drivers Licences
Agency fee (Department of Transport)
Learners Certificate

-	-
865 771	940 041
-	-
<b>865 771</b>	<b>940 041</b>

**Note 23 Other operational revenue**

Collection Charges
Transaction Handling Fees
Incidental Cash Surpluses
Request for Information
Staff Recoveries
Building Plan Approval
Cemetery and Burial
Clearance Certificates
Fire Services
Photocopies and Faxes
Tender Documents
Town Planning and Servitudes

1 474 555	341 285
264	
7 272	12 617
20 936	16 048
7 840	298 074
216 146	90 970
275 975	243 497
21 287	13 238
52 795	219 777
685	183
29 800	11 624
14 083	13 068
<b>2 121 638</b>	<b>1 260 381</b>

**Note 24 Interest income**

Interest Income comprises of:
Bank
Trade and other receivables

1 304 761	41 565
25 002 751	19 953 871
<b>26 307 512</b>	<b>19 995 437</b>

**Note 25 Employee related costs**

Basic salaries
Bonuses
Medical contributions
Pension contributions
Unemployment Insurance contributions
Bargaining Council
Travel or motor vehicle allowance
Standby allowance
Overtime
Leave pay
Increase in leave accrual
Housing Benefits
Cellular and Telephone allowance
Post retirement benefits: Long service award: current service costs
Post retirement benefits: Medical: current service costs
Post retirement benefits: long service awards: actuarial (gains) / losses
Post retirement benefits: Medical: actuarial (gains) / losses

73 512 579	88 003 863
5 130 126	5 278 725
4 683 025	4 593 035
14 199 754	1 169 449
574 767	551 991
33 519	35 252
7 902 989	8 485 500
1 650 187	1 634 253
6 581 932	107 235
1 676 448	5 991 267
913 766	1 625 276
367 325	4 780
61 894	55 315
869 290	696 170
1 224 295	1 911 238
(31 776)	238 368
(2 547 203)	(10 459 948)
<b>116 802 916</b>	<b>109 921 770</b>

**Remuneration of senior managers**

**Municipal Manager**

Annual Remuneration
Travel allowance
Acting allowance
Contributions to UIF, Medical and Pension Funds
Rural allowance
Bargain council and SDL
Cellphone allowance

1 348 869	1 036 813
245 010	267 663
-	140 952
-	34 098
53 283	38 392
15 509	14 013
7 200	7 039
<b>1 669 870</b>	<b>1 538 970</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 25 Employee related costs (continued):

**Chief Financial Officer**

Annual Remuneration
Car allowance
Acting Allowance
Short pay
Travel allowance
Contributions to UIF, Medical and Pension Funds
Bargain council and SDL
Rural allowance
Cellphone allowance

2019 2018

Restated

354 436	735 720
41 786	-
19 785	119 605
-44 453	-
10 876	194 878
196	45 464
3 735	10 201
13 015	27 896
2 207	6 878
<b>401 583</b>	<b>1 140 642</b>

**Director: Technical services**

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

982 590	926 101
-	120 000
7 200	7 200
55 355	3 487
169 843	-
<b>1 214 988</b>	<b>1 056 788</b>

**Director: Corporate Services**

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

800 081	749 869
-	180 000
7 200	7 200
49 067	-
225 372	3 100
<b>1 081 720</b>	<b>940 169</b>

**Director: Planning and Development**

Annual Remuneration
Car allowance
Cellphone allowance
Other
Travel allowance

390 413	749 869
-	180 000
3 600	7 200
51 725	-
71 079	3 100
<b>516 817</b>	<b>940 169</b>

Note 26 Remuneration of councillors

Mayor
Speaker
Chief whip
Other councillors

913 759	838 213
738 734	656 257
697 248	659 550
7 197 897	6 302 940
<b>9 547 638</b>	<b>8 456 959</b>

**Mayor**

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

666 294	508 802
55 783	61 361
93 461	192 661
98 220	75 389
<b>913 759</b>	<b>838 213</b>

**Speaker**

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund and Medical Contributions

429 354	357 283
56 400	33 044
170 603	190 592
82 377	75 338
<b>738 734</b>	<b>656 257</b>

**Chief whip**

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

418 322	422 593
56 400	33 044
159 941	147 371
62 586	56 542
<b>697 248</b>	<b>659 550</b>

**Other councillors**

Basic Salary
Cell phone Allowance
Motor Vehicle Allowance
Pension Fund Contributions

5 111 663	4 052 479
613 211	643 292
777 880	1 008 343
695 143	598 825
<b>7 197 897</b>	<b>6 302 940</b>

Note 27 Impairment loss

Impairment loss on property, plant and equipment
Impairment loss on Intangible Assets
Inventory impairment: contributions to inventory impairment provision
Debt impairment: contributions to debt impairment provision

-	6 335
-	-
150 165	-
40 106 257	74 812 151
<b>40 256 423</b>	<b>74 818 486</b>

Note 28 Depreciation and amortisation

Property, plant and equipment
Intangible assets

45 621 703	62 678 885
154 095	154 095
<b>45 775 798</b>	<b>62 832 980</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 29 Finance costs**

Current borrowings (DBSA loan)	335 451	939 946
Landfill site interest	2 965 251	3 415 058
Interest cost on post-retirement benefits: Long service awards	687 499	561 353
Interest cost on post-retirement benefits: Medical	2 720 258	3 318 357
Finance lease interest cost	184 149	167 323
Interest on late payment to suppliers	8 479 630	10 412 593
	<b>15 372 238</b>	<b>18 814 631</b>

**Note 30 Bulk purchases**

Electricity	69 781 516	39 952 829
Water	25 909 841	24 680 469
	<b>95 691 357</b>	<b>64 633 298</b>

**Note 31 Contracted services**

**Consultants and Professional Services**

Business and Advisory services	3 891 802	2 554 048
Infrastructure and Planning services (Architectural)	245 620	-45 526
Legal Advice and Litigation	10 582 756	4 890 926
	<b>14 720 178</b>	<b>7 399 448</b>

**Contractors**

Catering Services	23 059	118 828
Maintenance of Buildings and Facilities	44 247	59 849
Maintenance of Equipment	792 980	53 091
Maintenance of Unspecified Assets	9 115 582	4 440 920
Safeguard and Security	652 435	871 177
Sewerage Services	-3 694	-656
Tracing Agents and Debt Collectors	861 835	-
	<b>11 486 443</b>	<b>5 543 208</b>

**Outsourced Services**

Research and Advisory	9 800	397 304
Water Connection/Dis-connection	-17 219	-5 865
Professional Staff	306 347	153 175
Refuse Removal	29 800	-
	<b>328 728</b>	<b>544 614</b>

**Total contracted services**

**26 535 349      13 487 270**

**Note 32 Operational costs**

Advertising Publicity and Marketing	804 614	465 006
Bank Charges, Facility and Card Fees	33 824	107 328
Contribution to provisions: Landfill site	(32 177)	(3 104 509)
Telephone Fax Telegraph and Telex	2 063 101	1 848 312
Postage/Stamps/Frinking Machines	92 847	98 763
Entertainment	79 653	59 099
External Audit Fees	5 905 129	1 220 762
External Computer Service	639 548	368 039
Indigent Relief	5 952 562	11 238 978
Insurance Underwriting premiums	706 992	1 002 026
Learnerships and Internships	1 546 389	1 952 179
Municipal Services	206 594	274 755
Printing Publications and Books	2 218 701	5 686 042
Professional Bodies Membership and Subscription	25 000	1 000
Skills Development Fund Levy	1 003 473	65 450
Travel and Subsistence	1 328 900	1 189 389
Uniform and Protective Clothing	579 739	1 037 618
Workmen's Compensation Fund	1 594 295	31 664
	<b>24 749 183</b>	<b>23 541 903</b>

**Note 33 Cash generated from operations**

Surplus/(Deficit) for the year	(8 447 673)	(148 604 837)
<b>Adjustments for non cash items:</b>		
Depreciation and amortisation	45 775 798	62 832 980
Impairment loss	40 256 423	74 818 486
Employee related costs provisions (Movement)	5 878 943	6 904 001
<b>Changes in working capital:</b>		
Inventories	(1 948 306)	158 695
Trade and other receivables	(49 300 779)	1 587 698
VAT payable	5 852 739	85 975
Trade and other payables	29 674 567	(2 599 277)
	<b>67 741 712</b>	<b>(4 816 279)</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 34 Commitments

	2019	2018 Restated
<b>34.1 Capital expenditure</b>		
Approved and contracted for:		
- Infrastructure assets	93 747 415	-
Approved and not yet contracted for:		
- Infrastructure assets	-	-
<b>Total capital commitments</b>	<b>93 747 415</b>	<b>-</b>

**34.2 Lease commitments**

The municipality has the following rental arrangements which are currently on a month to month rental basis until such a time that the leases are renewed. The leases are expected to be renewed within the next financial year once the terms are agreed with the lessor. There is currently therefore no future lease commitments payable by the municipality until the lease agreements are signed. The monthly lease rentals payable to the lessor are as follows:

Property	Current Monthly rental	Yearly rental
Erf 361 Thabazimbi Ext 3	20 453	122 718
Erf 369 Thabazimbi Ext 3	34 390	256 275

**34.2 Other operational commitments**

The municipality has certain supplier commitments which are required to be paid on a monthly basis to suppliers who have provided services in the past. The monthly commitment payments range from R50,000 to R300,000 depending on the judgement/claim amount. The outstanding balances on these commitments are as follows:

Supplier commitments	7 536 410	7 822 968
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Refer to Note 51 for finance leases

Note 35 Fruitless and wasteful expenditure

Opening	105 753 506	95 340 913
Current year fruitless & wasteful expenditure	8 479 630	10 412 593
Less: Recovered	-	-
Less: Written-off	-	-
Prior period adjustment	-	-
	<b>114 233 136</b>	<b>105 753 506</b>

The municipality has incurred, for the financial year ended 30 June 2019 an amount of R 8 479 630 in a form of fruitless and wasteful expenditure. The reported expenditure comprises of the interest amounts charged on overdue accounts.

Note 36 Irregular expenditure and Unauthorised expenditure

**36.1 Irregular expenditure**

Opening balance	265 635 488	262 898 992
Current year irregular	39 495 921	2 736 496
Transferred to receivables	-	-
Condoned	-	-
<b>Irregular expenditure awaiting condonement</b>	<b>305 131 409</b>	<b>265 635 488</b>

The Municipality will report irregular expenditure to Council, MEC for Local Government, Treasury and AGSA.

**36.2 Unauthorised expenditure**

Opening balance	488 630 580	469 181 835
Current year unauthorised	-	19 448 745
<b>Unauthorised expenditure awaiting condonement</b>	<b>488 630 580</b>	<b>488 630 580</b>

The Municipality will report unauthorised expenditure to Council, MEC for Local Government, Treasury and AGSA.

**36.3 Deviations 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 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 these are reported appropriately in the annual financial statements.

The amounts below represent the quotation and tender deviation for the year as approved by the Accounting Officer. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations for the 2018/2019 financial year in terms of the Supply Chain Management Regulations amounted to R1,923,640

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

36.3 Deviations from supply chain management regulations (continued):

Description and reason of deviation	2019
Repairs of a Faulty 11KV Underground cable; SCM 36 1(a), 3(b)(f)	181 400
Bulk water meter replacement project; SCM 36 1(a), 3(b)(f)	96 320
Cleaning of sewer lines in Thabazimbi town and Northam; SCM 36 1(a), 3(b)(f)	113 160
Replacement of motor- Zandriverspoort; SCM 36 1(a)(i), 3(b)(f)	186 550
Materials For Domestic water meter replacement ; SCM 36 1(a), 3(b)(f)	142 510
Cleaning of sewer lines in Thabazimbi town and Northam; SCM 36 1(a), 3(b)(f)	59 200
Urgent Repairs of Pump station at Thabazimbi EXT37;	44 600
Urgent supply of 600A circuit breakers; A power failure at pump station of Thabazimbi Municipality left the community of Thabazimbi stranded without electricity.	42 720
Urgent supply and repair of faulty cable at Ipelegeng substation; A power failure at Ipelegeng caused by a faulty 35mmx 3 core XLPE 11kV underground cable that blew up causing more than 200 community members of Thabazimbi stranded without electricity.	99 349
Urgent supply of 200kW weg motor footmuted 4 pole 380v; The Motor at Thabazimbi Pumpstation was damaged on the 21 December 2018 and the community was without portable water and the motor had to be replaced urgently.	196 789
Urgent supply of service provider to prevent loss of infrastructure environment and processed data; Recovered and stop the existing wiping email accounts and configurations, telephonically, remotely and physically.	69 370
Urgent appointment of service provider: to prevent loss of infrastructure environment and processed data; On the 10 December 2018, the Municipal user email account was wiped off the Microsoft Exchange and lead to confusion to the users.	69 370
Urgent appointment of service provider to supply 220kw weg motor footmuted 4 polo 380v to Thabazimbi Pumpstation; The Motor at Thabazimbi Pumpstation was damaged on the 21 January 2019 and the community was without portable water and the motor had to be replaced urgently.	199 000
Urgent appointment of a service provider to supply 600A circuit Breakers; On the 20 December 2018, the Municipality experienced a power failure at pump station of Thabazimbi Municipality caused by a faulty 600A circuit breakers and left the community of Thabazimbi stranded without electricity.	42 720
Urgent Appointment for recommissioning of Northam Pump station; Pump station at Northam has not been utilized since the inception of the pump station. There was a need for re-commission and re-configuring the pumps start-ups.	42 780
Urgent SUPPLY OF END POINT PROTECTION ANTIVIRUS FOR 150 USERS; Municipal information is currently at high risk about information protection because the current antivirus licenses has expired.	119 898
Urgent repairs of the sludge pumps at the Thabazimbi waste water treatment works;	85 836
Urgent Appointment of a service provider: Fabrication of 250mm distant piece at y-piece and replacement of the y-piece and installation of flow control valve; Due to ageing infrastructure the distant piece at the Y-piece which forms a direct supply line to Thabazimbi town and the Y-piece were leaking severely and needed urgent replacement to ensure continuous water supply to the distribution network.	124 240
Urgent payment of lidar speed camera replacement; The Municipality has to replace the speed camera in oder for Law Traffic Enforcement	7 829
	<b><u>1 923 640</u></b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 37 Prior period errors

	2018 Previously reported	Error(s) identified in current year	2018 After correction	Note
<b>Assets</b>				
Biological assets	760 592	-	760 592	
Property, plant and equipment	868 282 304	(139 907 607)	728 374 697	37.1
Investment properties	-	-	-	
Intangible assets	-	308 190	308 190	37.1
Other financial assets	82 849	(82 849)	-	37.2
Employee benefit asset	27 410	(27 410)	-	37.2
Inventories	2 756 492	(1 024 364)	1 732 128	37.3
Receivables from exchange transactions	209 980 061	(160 421 223)	49 558 838	37.3
Receivables from non-exchange transactions	3 532 854	11 251 040	14 783 894	37.3
VAT receivable	11 758 636	2 829 810	14 588 446	37.3
Consumer debtors	62 543 888	(62 543 888)	-	37.2
Cash and cash equivalents	71 147 003	(70 623 781)	523 222	37.3
	<b>1 230 872 089</b>	<b>(420 242 082)</b>	<b>810 630 007</b>	
<b>Current Liabilities</b>				
Other financial liabilities	2 772 255	(2 772 255)	-	37.2
Borrowings	-	1 933 020	1 933 020	
Current portion of provisions	-	1 953 595	1 953 595	
Finance lease obligation	154 359	1 676 930	1 831 289	37.3
Payables from exchange transactions	476 445 545	(97 294 861)	379 150 684	37.3
Consumer deposits	4 014 836	84 395	4 099 231	37.3
Employee benefit obligation	6 738 538	(5 304 138)	1 434 400	37.3
Unspent conditional grants and receipts	38 668	(38 668)	-	37.2
Bank overdraft	75 751 585	(75 751 585)	-	37.2
	<b>565 915 786</b>	<b>(175 513 567)</b>	<b>390 402 219</b>	
<b>Non-Current Liabilities</b>				
Other financial liabilities	58 361 537	(58 361 537)	-	37.2
Borrowings	-	2 573 619	2 573 619	37.3
Employee benefit obligation	31 584 265	3 606 018	35 190 283	37.3
Provisions	21 916 291	16 895 769	38 812 060	37.3
	<b>111 862 093</b>	<b>(35 286 131)</b>	<b>76 575 962</b>	
<b>Accumulated surplus</b>				
	<b>553 094 210</b>	<b>(209 442 384)</b>	<b>343 651 826</b>	
<b>Income</b>				
Property rates (Taxation revenue)	24 511 289	1	24 511 290	
Fines	119 300	1 064 059	1 183 359	37.3 & 37.2
Licence and permits	-	7 253	7 253	37.3 & 37.2
Government grants and subsidies	73 592 344	-	73 592 344	
Service charges	108 065 358	93 372	108 158 730	37.3 & 37.2
Rental of facilities and equipment	408 402	(0)	408 402	
Licences and permits	671	939 370	940 041	37.3 & 37.2
Other operational revenue	1 412 383	(152 002)	1 260 381	37.3 & 37.2
Interest income	19 995 436	1	19 995 437	
	<b>228 105 183</b>	<b>1 952 054</b>	<b>230 057 237</b>	
<b>Expenditure</b>				
Employee related costs	(117 005 166)	7 083 396	(109 921 770)	37.3 & 37.2
Remuneration of councillors	(8 456 960)	1	(8 456 959)	
Depreciation and amortisation	(15 874)	(62 817 106)	(62 832 980)	37.3 & 37.2
Impairment loss	(898 408)	(70 777 176)	(71 675 584)	37.3 & 37.2
Finance costs	(10 778 418)	(8 036 213)	(18 814 631)	37.3 & 37.2
Lease rentals on operating lease	(2 111 993)	(0)	(2 111 993)	
Bulk purchases	(64 633 298)	(0)	(64 633 298)	
Contracted services	(13 539 317)	52 047	(13 487 270)	37.3 & 37.2
Transfers and Subsidies	(11 238 978)	11 238 978	-	37.3 & 37.2
General expenses	(14 115 464)	14 115 464	-	37.3 & 37.2
Auditors remuneration	(1 220 762)	1 220 762	-	37.3 & 37.2
Operational costs	-	(23 541 903)	(23 541 903)	37.3 & 37.2
Inventory consumed	-	(26 808)	(26 808)	37.3 & 37.2
Other gains and losses	(1 059)	(14 917)	(15 976)	37.3 & 37.2
	<b>(244 015 697)</b>	<b>(131 503 475)</b>	<b>(375 519 172)</b>	

37.1 Property, plant and equipment, Intangible assets

The municipality did not update the fixed asset register in the prior year, and thus the balances in the prior year financial statements were not adequately supported. The prior period error adjustments are as a result of the completion of a fixed asset register for 2017/2018 and 2018/2019 and thus more adequate supporting figures being disclosed. This adjustment impacted every sub-component or fixed assets.

37.2 Incorrect balances

These amounts were erroneously included in the prior years annual financial statements and are not supported by the general ledger nor supporting documentation. A prior period error was necessary to adequately adjust for these errors.

37.3 Incorrect alignment, Mscoa implementation errors, reclassifications and incorrect presentation

These balances presented in the prior years resulted in errors due to three main reasons: (1), The financial statements were not correctly aligned with the general ledger, result in incorrect items being aligned together, (2) During the implementation of Mscoa, various migration balances were not incorporated into the 2017/2018 financial statements and (3), the amounts in the financial statements were not supported by the trial balance as there was incorrect alignment.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

Note 38 Additional disclosure in terms of Municipal Finance Management Act

2019  
2018  
Restated

38.1 Material losses

Material losses through the distribution of electricity

Units purchased in KWh x Average price lost	(60 374 660)	(46 249 011)
Units sold during the year in KWh x Average price lost	47 570 782	42 910 759
	<b>(12 803 878)</b>	<b>(3 338 251)</b>

The electricity losses can be classified into technical losses and non-technical losses. Technical losses relate to energy that is lost in the transportation of the electricity from point of supply to point of distribution through evaporation. Non-technical losses are attributable mainly to theft, bypass of meters, illegal recalibration of meters, damaged meters, transformers etc. Units lost during the year were 12 803 877 KWh (2018: 3 338 251.43KWh) at average price of R0,97 (2018: R0.93)

Material losses through distribution of water losses

Units purchased in KL x Average price lost	(96 322 900)	(77 100 600)
Recorded billing during the year in KL x Average price lost	48 607 980	41 634 324
	<b>(47 714 920)</b>	<b>(35 466 276)</b>

Units lost during the year were 74 800 KL (2018: 63480 KL) at average price of R6.379 (2018: R5.587)

38.2 Contributions to organised local government

Opening balance	604 729	518 158
Current year fees	1 329 061	1 258 341
Amount paid - current year	-	(1 171 770)
<b>Closing balance</b>	<b>1 933 790</b>	<b>604 729</b>

38.3 Auditor's remuneration

Opening balance	858 060	829 513
Current year fees	6 276 180	1 220 762
Amount paid - current year	(289 811)	(1 192 215)
<b>Closing balance</b>	<b>6 844 429</b>	<b>858 060</b>

38.4 PAYE, SDL and UIF

Opening balance	9 694 825	9 694 824
Current year subscription / fee	17 874 426	18 160 066
Amount paid - current year	(19 014 860)	(18 160 065)
<b>Closing balance</b>	<b>8 554 391</b>	<b>9 694 825</b>

The amounts represent PAYE, SDL and UIF.

38.5 Pension and Medical Aid Deductions

Opening balance	4 207 693	2 176 450
Current year subscription / fee	18 689 820	27 893 219
Amount paid - current year	(19 913 445)	(25 861 976)
<b>Closing balance</b>	<b>2 984 068</b>	<b>4 207 693</b>

The amount represent pension and medical aid contributions deducted from employees.

38.6 VAT

VAT receivable	<b>8 735 707</b>	<b>14 588 446</b>
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Vat is paid over to SARS only once the payment is received from Debtors and is receivable from SARS once the payment has been made to Creditors . All VAT returns for the year have been submitted.

38.7 Councillors' arrear consumer accounts

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

2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
MAKHUBELA SS	1 567	6 139	7 706
NDHLOVU S	5 537	46 481	52 018
MOKGOMO LM	840	14 543	15 384
FISHER JM	2 703	59 876	62 579
JOUBERT LH	444	-	444
MATSHELANOKANA S	4 315	32 003	36 318
GOUWS GS	88	1 085	1 173
RAMOABI T	2 335	25 812	28 147
	<b>17 830</b>	<b>185 939</b>	<b>203 769</b>
2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Ramoabi T	1 749	21 608	23 357
Moselane M	6 136	16 360	22 496
Manyama R	1 618	3 424	5 042
Serole A	1 364	26 302	27 666
Makhubela SS	2 054	-	2 054
Ndhlovu S	5 687	33 855	39 542
Hearne T	1 668	-	1 668
Makgomo LM	1 267	15 473	16 740
MATSHELANOKANA S	4 422	22 191	26 613
Gouws GS	12	-	12
Ntshabele KI	4 001	60 984	64 985
	<b>29 978</b>	<b>200 197</b>	<b>230 175</b>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 39 Comparison of the budget to actual amounts**

**Explanation on material differences between the final budget and actuals for the year ended 30 June 2019**

**39.1 Property rates**

A new general valuation roll came into effect at the beginning of the current financial year. The market values of properties increased by an average of approximately 32%, which resulted in an increase in the property rates charged to customers. There were also approved increases in certain tariff rates for the current financial year. The increases in the property values and tariffs was not initially budgeted for appropriately, resulting in a 32% difference between budget and actual.

**39.2 Service charges**

Although there were increases in services charges tariffs and rates for the year, this growth was stalled by less usage of the services. There has also been a large increase in technical water and electricity, resulting in less water and electricity being billed.

**39.3 Rental of facilities and equipment**

Rental income mainly relates to the rental received from the leasing out of the municipal hostels. During the current financial year, additional rental of approximately R2,5m was billed for the rental of land for mining purposes which was not initially budgeted for. This resulted in an increase in the rental income.

**39.4 Interest earned - external investments**

The major difference between the budgeted interest income and actual interest income was caused by the large increase in the cash reserves of the municipality. The municipality's cash reserves increased as a result of various capital grants being received by the municipality in the current year which were not received in the prior year. The capital grants are maintained in an interest earning call deposit account until required for authorised usage. This increase in the cash reserves and resulting increase in interest income was not initially budgeted for.

**39.5 Fines**

Fines revenue relates mainly to traffic fines issued for the year. The traffic fines revenue was not appropriately budgeted for prior year and current year.

**39.6 Licences and permits**

The main licences relate to the agency income from the Department of Transport for collecting licence fees on their behalf. The licences and permits revenue was not appropriately budgeted for.

**39.7 Transfers recognised**

The reason for the actual transfers recognised being less than the budgeted transfers is because the WSIG and Human Settlement grants were not fully utilised during the current financial year, and could thus not be transferred to revenue.

**39.8 Other revenue**

The main driver in the difference between budget and actual for other revenue is the increase in the collection fees received due to the municipality's usage of debt collectors who are recovering what is owed to the municipality. This increase was not initially budgeted for.

**39.9 Employee related costs**

The municipal staff rate remained stagnant during the year as certain vacancies continue to be filled. This resulted in the employee costs being less than what was budgeted for.

**39.10 Remuneration of councillors**

The remuneration for councillors was slightly over budgeted for during the current financial year.

**39.11 Debt impairment**

The debt impairment mainly relates to the provision for doubtful debts. This provision was not appropriately budgeted for during the current financial year.

**39.12 Depreciation and asset impairment, bulk purchases, contracted services and other expenditure**

The expenditure components were not appropriately budgeted for during the current financial year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 40 Related Parties**

All related party transactions are conducted at arms length unless otherwise stated.

**40.1 Interests of related parties**

The following Related Party Interests have been identified/declared for the financial year under review:

*(i) Cllr L H Joubert*

Cllr L H Joubert is the speaker of the municipality and the director of Sijaka Properties CC. This company is currently providing office space to the Municipality for the year under review. The expenditure for the year incurred relating to the lease is as follows:

	<b>2019</b>	<b>2018</b>
Lease rentals on operating lease	474 854	326 706

**40.2 Management**

Municipality has the following senior managers who may have significant influence over the financial and/or operating policies of the municipality.

Names	Title
Mr. TG Ramagaga	Municipal Manager
<i>Refer to acting positions on page 1</i>	Chief Financial Officer
Mr SV Makona	Technical Services
Mr. JJ van der Merwe	Corporate Services
Ms L Makaya	Planning & Development
Vacant	Community Services

Refer to note 25 for the disclosure of their remuneration.

**40.3 Councillors**

The municipality has councillors that act as a governing body who may have significant influence over the financial and/or operating policies of the municipality.

All the Councillors are listed on page ii of the Annual Financial Statements.

Refer to note 26 for the disclosure of their remuneration.

**Note 41 Financial Instrument**

In accordance with GRAP 104.13, the financial assets and liabilities of the municipality are classified as follows:

**Financial assets at amortised cost**

Trade and other receivables from exchange transactions	79 304 592	49 558 838
Trade and other receivables from non-exchange transactions	34 338 919	14 783 894
Vat receivable	8 735 707	14 588 446

**Financial assets at fair value**

Cash and cash equivalent	36 835 994	523 222
	<b>159 215 212</b>	<b>79 454 400</b>

**Financial liabilities at amortised cost**

Borrowings	3 009 229	4 506 639
Consumer deposits	4 028 784	4 099 231
Trade and other payables from exchange transactions	193 353 367	379 150 684
	<b>200 391 380</b>	<b>387 756 554</b>

**Note 42 Indigent debts written off**

There were no indigent debts write off during the year (2018: Rnil).

**THABAZIMBI LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

**Note 43 Risk management**

**Financial risk management objectives**

Due to the nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by many entities. The municipality's Finance department monitors and manages the financial risks relating to the operations of the municipality. These risks include market risk (including, fair value and interest rate risk), credit risk and liquidity risk. The municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

**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.

<b>2019</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
Borrowings	109 200	218 400	1 052 624	1 629 005	3 009 229
Unspent grants	-	40 509 904	-	-	40 509 904
Consumer deposits	-	-	4 028 784	-	4 028 784
Retentions	-	-	7 818 374	-	7 818 374
Trade and other creditors	185 534 993	-	-	-	185 534 993
	<b>185 644 193</b>	<b>40 728 304</b>	<b>12 899 782</b>	<b>1 629 005</b>	<b>240 901 284</b>

<b>2018</b>	<b>&lt;= 1 Month</b>	<b>&gt; 1 Month &lt;= 3 Months</b>	<b>&gt; 3 Months &lt;= 1 Year</b>	<b>&gt; 1 Year &lt;= 5 Years</b>	<b>Total</b>
Borrowings	109 200	218 400	1 605 420	2 573 619	4 506 639
Unspent grants	-	-	-	-	-
Consumer deposits	-	-	4 099 231	-	4 099 231
Retentions	-	-	6 983 436	-	6 983 436
Trade and other creditors	379 150 684	-	-	-	379 150 684
	<b>379 259 884</b>	<b>218 400</b>	<b>12 688 086</b>	<b>2 573 619</b>	<b>394 739 990</b>

**Credit risk**

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

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

<b>Financial instrument</b>	<b>2019</b>	<b>2018</b>
Call deposits	34 600 646	85 149
Current accounts	2 126 876	336 699
Marketable securities	103 030	95 933
Trade and other receivables	113 643 511	64 342 732
	<b>150 474 063</b>	<b>64 860 513</b>

Trade and other receivables for government department are not impaired.

Trade and other receivables that are neither past due nor impaired are as follows:

	<b>2019</b>	<b>2018</b>
Trade and other receivables	22 267 384	6 135 787

Debtors are impaired based on the aging of the debt. When a debtor has a past due balance, any payment received will be allocated against the debtors oldest balances. Current debts (neither past due nor impaired) represent a mixture of high, medium and low quality credit standings.

Trade and other receivables that are past due but not impaired as at year end are as follows:

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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**

	<b>2019</b>	<b>2018</b>
31 - 60 days	13 548 394	9 558 304
61 - 90 days	11 226 537	6 537 726
Greater than 91 days	64 495 859	41 046 856
	<u><b>89 270 789</b></u>	<u><b>57 142 886</b></u>

No trade and other receivables are individually determined to be impaired at year end.

**Interest rates risk**

As the municipality has no significant interest bearing assets, the municipality 's income and operating cashflows are substantially independent of changes in market interest rates. At year end , the financial instruments exposed to interest rate risk were as follows:

	<b>2019</b>	<b>2018</b>
Call deposits	34 600 646	85 149
Marketable securities	103 030	95 933
	<u><b>34 703 676</b></u>	<u><b>181 082</b></u>

Trade debtors are charged interest at fixed rates determined by the municipality. Therefore these financial instruments do not attract exposure to interest rate risk. Interest rate risk is linked to the Repo rate as determined by the Reserve Bank. The Reserve Bank ordinarily only changes the Repo Rate by an increase or decrease of 0,25%. A 0,25 % increase or decrease would not have a material effect on the municipalities interest bearing assets and its surplus/deficit.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

**Note 44 Going concern assessment**

Management considered the following matters relating to going concern:

- (i) During May 2019 the council adopted the 2019/2020 Budget. This three year Medium Term Revenue and Expenditure Framework ( MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash backed over the three year period.
- (ii) The municipality's Budget is subject to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- (iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash flow forecast supporting the Budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risk and remedial actions to be instituted.
- (iv) As the municipality has the power to levy fees, tariffs and charges, this will result in on going inflow of revenue to support the ongoing delivery of municipal services. Certain key financial ratio's, such as liquidity, cost coverage, debtors collection rates and creditors payment terms are closely monitored and the necessary corrective actions instituted (such as payment arrangements etc.).

Taking the aforementioned into account, management has prepared the annual financial statements on the Going Concern Basis.

**Note 45 Comparative figures**

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 37).

**Note 46 Events after the reporting date**

No events having implications requiring disclosure occurred subsequent to 30 June 2019.

**Note 47 Private Public Partnerships**

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

**Note 48 In-kind donations and assistance**

The municipality did not receive any in-kind donations or assistance during the year under review.

**Note 49 Contingent assets**

The municipality does not have any contingent assets that require disclosure for the year under review.

**Note 50 Contingent liabilities**

**Note 50.1 Court proceedings**

**2019**

**2018**

**(i) PM Plus Projects**

A civil judgement is in the process against the municipality relating to a contractual dispute with PM Plus Projects who alleges that the municipality has infringed its performance obligations. The civil judgement claim is estimated at R7 502 404.00 plus related costs. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers. Should the action be successful the municipality does have insurance cover to cover litigation costs and claims.

7 502 404

7 502 404

**(ii) H JBadenhorst**

This matter relates to a civil claim (personal injury) against the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 11 000 000.00 (and R 800 000 for costs and disbursements). Matter set down for trial date of 03 March 2020 in Pretoria High (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

11 800 000

14 200 000

**(iii) SN Ranamane PM Ranamane**

Civil claim by alleged service provider of the municipality. Exchange of pleadings and notices stage. Amount claimed R1 464 119 (and R50 000 for costs and disbursements).Plaintiff has failed the defendant with the requested further particulars of the claim. Matter removed from High Court Pre-trial Conference Roll of 15 March 2018.

1 764 119

1 764 119

**(iv) Mminele Compensation (Pty) Ltd**

This matter relates to a civil claim by a service provider of the municipality. The matter is currently at exchange of pleadings and notices stage. Amount claimed R 800 000 (and R 50 000 for costs and disbursements). Matter set down for trial on 15 March 2019 (Active file). The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as unlikely, and the case is likely to be rescinded by the municipal lawyers

850 000

1 100 000

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)

2019

2018

**Other litigations and contingencies**

**(i) HENDRIK JOHANNES BADENHORST**

Matter was set down for trial roll of 3 March 2020. Application of Preferential Trial Date of September 2019 was dismissed in Court on 9 May 2019, to allow the municipality an opportunity to investigate the amendment of quantum from R2.3 Million to R11 Million. For the purposes of settlement, the Plaintiff's attorneys are willing to accept R7.5 Million. Plaintiff went for Medico Legal assessment requested by Defendant as permitted by the Court. Defendant successfully opposed the bill of costs dated 11 April 2019 of the Plaintiff. The Municipality does not have to pay the Plaintiff's costs.

**(ii) PMPLUS**

Order was granted against TLM for amount of Approximately R7 m and determination of damages at arbitration. TLM in process of recession of order and application to stay arbitration proceedings until recession order is finalised. Stay application was served on PMPlus. Fraud case opened by SAPS. Filing of pleadings in process.

**(iii) THABAZIMBI RESIDENCE ASSOCIATION**

Application was heard on 25/7/2017 and order was made that applicants application struck from urgent roll with costs. Taxation costs to the amount of 236 538,80 obtained against the applicants. Van Graan & Van Der Wateren Attorneys to claim their costs from TRA

**Note 51 Finance lease liabilities**

The municipality currently has finance leases for certain furniture and IT equipment. No payments are required to be made on a monthly basis for these finance leases, thus there is just a debt increment on a monthly basis. The leases currently have a present value of R2 million and are amortised at 9.62% interest rate.

**Minimum lease payments due**

- within one year

2 015 438

1 831 289

- in second to fifth year inclusive

-

-

**Present value of minimum lease payments**

**2 015 438**

**1 831 289**