



MAKHADO LOCAL MUNICIPALITY

Annual Financial Statements
for the year ended 30 June 2019

Auditor-General of South Africa
Chartered Accountants (S.A.)
Registered Auditors

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Category B municipality (local municipality) envisaged in section 155(1)(b) of the Constitution of the Republic of South Africa.
Nature of business and principal activities	Provision of municipal services in terms of the Municipal Finance Management Act No. 56 of 2003 and Municipal Systems Act No. 32 of 2000.
Executive Committee	Cllr T.P Mamrobela Cllr N.D Davhana Cllr T.J Mamafha Cllr T.D Ratshikuni Cllr S Masuka Cllr T.G Mukwevho Cllr N.F Chililo Cllr N.B Jones Cllr A Matumba
Mayor	Cllr N.S Munyai
Speaker	Cllr L.B Mogale
Chief whip	Cllr M.D Mboyi
Councillors	Cllr T.J Mohlaba Cllr L.G Masutha Cllr K.M Maluleke Cllr T Balibali Cllr T.C Mamafha Cllr T.E Tambani Cllr T.M Babadu Cllr A Du Plooy Cllr M Kanukani Cllr E Maduwa Cllr V.S Luduvhangu Cllr E.T Sithi Cllr S.Z Mthombeni Cllr P.N Musandiwa Cllr M.D Ndou Cllr J.N Simangwe Cllr E.M Mulefu Cllr M.S Machete Cllr N.V Malivha Cllr R.M Magada Cllr G.M Ramushavha Cllr M.A Mashamba Cllr M.J Gabara Cllr T Kutama Cllr N Kutama Cllr S.S Nyelisani Cllr S.M Sinyosi Cllr N.S Nemudzivhadi Cllr F.N Madzhiga

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General Information

Cllr S Masuka
Cllr S Madula
Cllr L.M Mathalise
Cllr K.S Ramavhoya
Cllr M.R Makgoadi
Cllr L.R Tshiambwa
Cllr G.R Rashamuse
Cllr F.B Hlongwane
Cllr M.E Malima
Cllr T Seshoki
Cllr M.C Nematandani
Cllr R Raliphada
Cllr N.A Mafhala
Cllr T.A Maraga
Cllr G Tsibvumo
Cllr T.E Dzivhani
Cllr T.M Malange
Cllr S.S Tshifura
Cllr M.A Selapyana
Cllr M.N Ndou
Cllr M.J Mpashe
Cllr M.G Phoshoko
Cllr M.G Furumule
Cllr M.F Nethulwe
Cllr A.A Raphalalani
Cllr I.S Bulala
Cllr N Munyai
Cllr J Lukheli
Cllr R.T Maingo
Cllr M.F Mukhari
Cllr M.L Masipa
Cllr M.S Tshilambyana
Cllr L.G Maduwa

Audit Committee Members

Ms J Masite(Chairperson)
Mr D Ramuedzisi
Mr S Matenzhe
Mr L.J Thubangale
Mr S Mofokeng

Accounting Officer

N.F Tshivhengwa

Chief Finance Officer (CFO)

K.M Nemaname

Grading of local authority

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Registered office

Corner Krogh and Erasmus Street
Makhado
0920

Business address

Corner Krogh and Erasmus Street
Makhado

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General Information

	0920
Postal address	Private Bag X2596 Makhado 0920
Bankers	First National Bank
Auditors	Auditor-General of South Africa Chartered Accountants (S.A.) Registered Auditors
Attorneys	Panel of attorneys of the Municipality Tambani Matumba Attorneys Makhuvha EM & Greg Munonde JV Wisani Baloyi Incorporated Lebea & Associates Attorneys Kgoroadira Mudau Incorporated

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COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IFRS	International Financial Reporting Standards
CIGFARO	Chartered Institute of Government Finance Audit & Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

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Accounting Officer's Responsibilities and Approval

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

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

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

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

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

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

The municipality is mainly dependent on the national or provincial government for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that Makhado Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's council.

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.

The annual financial statements set out on pages 6 to 97, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019.

N.F Tshivhengwa
Accounting Officer

31 August 2019

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Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no. 56 of 2003 and municipal systems act no. 32 of 2000. and operates principally in South Africa.

The municipality's contribution towards total income increased marginally compared to the same period in the previous financial year as shown in the analysis below.

Net deficit of the municipality was R 5 352 673 (2018: deficit R 165 121 753).

Proportion of income generated/raised

2019

Type of income	Proportion of contribution to income	Amount
Service charges	38 %	345 005 666
Property rates	8 %	73 345 242
Grants and Subsidies	47 %	426 916 377
Traffic fines	1 %	7 742 040
Licence & permits	1 %	7 423 893
Other income	5 %	52 691 735

2018

Type of income	Proportion of contribution to income	Amount
Service charges	34 %	294 728 865
Property rates	7 %	60 193 333
Grants and Subsidies	50 %	443 008 275
Traffic fines	1 %	5 819 498
Licence & permits	1 %	8 541 044
Other income	7 %	62 552 811

2. Going concern

The municipality had an accumulated surplus of R 1 547 613 045 (2018: R 1 565 256 112) and that the municipality's total assets exceeded its liabilities by R 1 547 613 045 (2018: R 1 565 256 112).

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

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

3. Subsequent events

The accounting officer is not aware of any material events which occurred after the reporting date and up to the date of this report.

4. Accounting Officer's interest in contracts

The municipality has a policy relating to declaration of interest in contracts and other related transactions. This was adhered to in that relevant officials with interests in SCM related transactions declared (both potential and existing) declared their interests.

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Accounting Officer's Report

5. Accounting policies

The annual financial statements were prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such Statements issued by the Accounting Standards Board as the prescribed framework by National Treasury.

6. Corporate governance

General

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

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discusses the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a regular basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required of him by the Remunerations of Public Office Bearers Act No. 20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Audit and risk committee

The Chairperson of the audit committee is an independent audit committee member. The committee met on a regular basis during the financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, Makhado Local Municipality must appoint members of the Audit and Performance Committee.

Internal audit

The municipality has a internal audit function, which is in compliance with the Municipal Finance Management Act, 2003 section 165.

7. Bankers

The municipality's bankers did not change during the current year.

8. Auditors

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

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Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	2	119 300 491	118 466 379
Sundry Debtors	3	122 189	599 916
Receivables from non-exchange transactions	4	17 445 033	13 983 283
Consumer debtors - Exchange transactions	5	41 636 170	41 877 612
Consumer debtors - Non- Exchange transactions	5	21 326 491	19 120 617
Cash and cash equivalents	6	91 835 178	19 026 891
		291 665 552	213 074 698
Non-Current Assets			
Investment property	7	16 347 062	16 796 723
Property, plant and equipment	8	1 579 721 774	1 640 640 540
Intangible assets	9	1 776 588	1 517 093
Heritage assets	10	2 160 329	2 160 329
		1 600 005 753	1 661 114 685
Total Assets		1 891 671 305	1 874 189 383
Liabilities			
Current Liabilities			
Finance lease obligation	12	513 414	3 046 172
Payables from exchange transactions	13	173 919 866	134 420 544
VAT payable	14	29 237 771	31 162 737
Consumer deposits	16	16 529 177	15 930 957
Employee benefit obligation	18	4 203 547	3 817 477
Unspent conditional grants and receipts	15	3 473 128	2 900 000
Provisions	19	9 619 750	9 145 116
Deferred Income	17	105 741	29 062
		237 602 394	200 452 065
Non-Current Liabilities			
Finance lease obligation	12	183 118	696 532
Employee benefit obligation	18	102 559 445	104 368 258
Provisions	19	3 713 303	3 416 416
		106 455 866	108 481 206
Total Liabilities		344 058 260	308 933 271
Net Assets		1 547 613 045	1 565 256 112
Accumulated surplus		1 547 613 045	1 565 256 112

* See Note 37

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	20	345 005 666	294 728 865
Rental of facilities and equipment	24	834 870	769 125
Interest received - outstanding debtors	33	19 777 159	15 960 410
Licences and permits	24	7 423 893	8 541 044
Operational Revenue	21	26 018 734	36 484 496
Interest received from financial institutions	32	6 060 972	9 338 780
Total revenue from exchange transactions		405 121 294	365 822 720
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	22	73 345 242	60 193 333
Transfer revenue			
Government grants & subsidies	23	426 916 377	443 008 275
Fines, penalties and forfeits	24	7 742 040	5 819 498
Total revenue from non-exchange transactions		508 003 659	509 021 106
Total revenue	24	913 124 953	874 843 826
Expenditure			
Employee related costs	25	(255 156 547)	(249 835 465)
Remuneration of councillors	26	(26 316 164)	(25 306 856)
Depreciation and amortisation	27	(116 404 835)	(118 294 076)
Impairment of non cash generating assets	48	(15 195 412)	(6 176 444)
Finance costs	28	(10 691 728)	(12 159 192)
Provision for doubtful debts	29	(46 868 105)	(132 237 425)
Bulk purchases	30	(235 312 620)	(212 654 238)
Contracted services	49	(138 186 937)	(189 091 352)
General Expenses	31	(69 922 175)	(93 268 866)
Loss on disposal of assets		(4 423 103)	-
Loss from transfer of functions between entities not under common control		-	(941 665)
Total expenditure		(918 477 626)	(1 039 965 579)
Deficit for the year		(5 352 673)	(165 121 753)

* See Note 37

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Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 698 330 489	1 698 330 489
Adjustments		
Prior year adjustments (Note 36)	32 047 376	32 047 376
Balance at 01 July 2017 as restated*	1 730 377 865	1 730 377 865
Changes in net assets		
Loss for the year	(165 121 753)	(165 121 753)
Total changes	(165 121 753)	(165 121 753)
Balance at 01 July 2018 as restated*	1 565 256 112	1 565 256 112
Changes in net assets		
Surplus for the year	(5 352 673)	(5 352 673)
Changes recognised directly in net assets	(12 290 394)	(12 290 394)
Total changes	(17 643 067)	(17 643 067)
Balance at 30 June 2019	1 547 613 045	1 547 613 045

* See Note 37

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates		49 375 852	43 021 446
Service charges		334 168 497	233 253 495
Grants		427 489 505	433 090 249
Traffic Fines		1 695 214	1 133 698
Licence & permits		7 423 893	8 526 910
Other income		11 744 208	25 575 418
VAT Received		31 735 231	32 272 631
Interest Income		12 415 158	6 470 298
		<u>876 047 557</u>	<u>783 344 145</u>
Payments			
Employee costs		(245 873 085)	(239 627 831)
Remuneration of council		(26 316 164)	(25 306 856)
Payments to suppliers		(364 872 971)	(475 878 501)
Finance costs		(67 368)	(606 305)
		<u>(637 129 588)</u>	<u>(741 419 493)</u>
Net cash flows from operating activities	34	<u>238 917 969</u>	<u>41 924 652</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(162 680 500)	(119 081 309)
Proceeds from sale of property, plant and equipment	8	1 454 803	-
Purchase of other intangible assets	9	(807 180)	(602 884)
Net cash flows from investing activities		<u>(162 032 877)</u>	<u>(119 684 193)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(1 677 214)
Finance lease payments		(4 076 806)	(4 865 664)
Net cash flows from financing activities		<u>(4 076 806)</u>	<u>(6 542 878)</u>
Net increase/(decrease) in cash and cash equivalents		72 808 287	(84 302 419)
Cash and cash equivalents at the beginning of the year		19 026 891	103 329 310
Cash and cash equivalents at the end of the year	6	<u>91 835 178</u>	<u>19 026 891</u>

* See Note 37

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Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	357 186 000	(17 772 000)	339 414 000	345 005 666	5 591 666	45
Rental of facilities and equipment	455 000	(126 000)	329 000	834 870	505 870	45
Interest income	20 100 000	(709 000)	19 391 000	19 777 159	386 159	45
Licences and permits	11 661 000	1 572 000	13 233 000	7 423 893	(5 809 107)	45
Other income	4 334 000	76 469 000	80 803 000	-	(80 803 000)	45
Other income	-	-	-	26 018 734	26 018 734	45
Interest received - investment	3 963 000	(3 912 000)	51 000	6 060 972	6 009 972	45
Total revenue from exchange transactions	397 699 000	55 522 000	453 221 000	405 121 294	(48 099 706)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	58 879 000	8 006 000	66 885 000	73 345 242	6 460 242	45
Transfer revenue						
Government grants & subsidies	426 456 000	(338 000)	426 118 000	426 916 377	798 377	45
Fines, Penalties and Forfeits	1 989 000	(232 000)	1 757 000	7 742 040	5 985 040	45
Total revenue from non-exchange transactions	487 324 000	7 436 000	494 760 000	508 003 659	13 243 659	
Total revenue	885 023 000	62 958 000	947 981 000	913 124 953	(34 856 047)	
Expenditure						
Personnel	(283 826 000)	28 334 000	(255 492 000)	(255 156 547)	335 453	45
Remuneration of councillors	(11 135 000)	(16 640 000)	(27 775 000)	(26 316 164)	1 458 836	45
Depreciation and amortisation	(78 148 000)	(18 287 715)	(96 435 715)	(116 404 835)	(19 969 120)	45
Impairment loss/ Reversal of impairments	-	-	-	(15 195 412)	(15 195 412)	45
Finance costs	(13 102 000)	(52 000)	(13 154 000)	(10 691 728)	2 462 272	45
Debt Impairment	(40 904 000)	(7 358 160)	(48 262 160)	(46 868 105)	1 394 055	45
Bulk purchases	(154 909 000)	(81 730 000)	(236 639 000)	(235 312 620)	1 326 380	
Contracted Services	(142 691 000)	53 745 876	(88 945 124)	(138 186 937)	(49 241 813)	
General Expenses	(89 384 000)	16 844 000	(72 540 000)	(69 922 175)	2 617 825	
Total expenditure	(814 099 000)	(25 143 999)	(839 242 999)	(914 054 523)	(74 811 524)	
Operating deficit	70 924 000	37 814 001	108 738 001	(929 570)	(109 667 571)	
Loss on disposal of assets and liabilities	-	-	-	(4 423 103)	(4 423 103)	
Deficit before taxation	70 924 000	37 814 001	108 738 001	(5 352 673)	(114 090 674)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	70 924 000	37 814 001	108 738 001	(5 352 673)	(114 090 674)	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Position						
Assets						
Current Assets						
Inventories	125 856 000	-	125 856 000	119 300 491	(6 555 509)	
Sundry Debtors	18 775 000	-	18 775 000	122 190	(18 652 810)	
Receivables from non-exchange transactions	42 003 000	-	42 003 000	17 445 033	(24 557 967)	
Consumer debtors	375 160 000	31 139 000	406 299 000	62 962 660	(343 336 340)	
Cash and cash equivalents	65 970 000	-	65 970 000	91 835 178	25 865 178	
	627 764 000	31 139 000	658 903 000	291 665 552	(367 237 448)	
Non-Current Assets						
Investment property	20 000	-	20 000	16 347 062	16 327 062	
Property, plant and equipment	104 675 000	(26 671 000)	78 004 000	1 579 721 774	1 501 717 774	
Intangible assets	2 878 000	(571 000)	2 307 000	1 776 588	(530 412)	
Heritage assets	1 296 000	-	1 296 000	2 160 329	864 329	
	108 869 000	(27 242 000)	81 627 000	1 600 005 753	1 518 378 753	
Total Assets	736 633 000	3 897 000	740 530 000	1 891 671 305	1 151 141 305	
Liabilities						
Current Liabilities						
Finance lease obligation	635 100	-	635 100	513 414	(121 686)	45
Payables from exchange transactions	67 246 000	-	67 246 000	173 919 866	106 673 866	
VAT payable	30 000 000	-	30 000 000	29 237 771	(762 229)	
Consumer deposits	2 500 000	-	2 500 000	16 529 177	14 029 177	
Employee benefit obligation	4 225 000	-	4 225 000	4 203 547	(21 453)	
Unspent conditional grants and receipts	50 500 000	-	50 500 000	3 473 128	(47 026 872)	
Deferred Income	-	-	-	105 741	105 741	
Deferred Income	18 500	-	18 500	-	(18 500)	
	155 124 600	-	155 124 600	227 982 644	72 858 044	
Non-Current Liabilities						
Finance lease obligation	250 000	-	250 000	183 118	(66 882)	
Employee benefit obligation	83 869 400	-	83 869 400	102 559 445	18 690 045	
Provisions	64 000	-	64 000	13 333 053	13 269 053	
	84 183 400	-	84 183 400	116 075 616	31 892 216	
Total Liabilities	239 308 000	-	239 308 000	344 058 260	104 750 260	
Net Assets	497 325 000	3 897 000	501 222 000	1 547 613 045	1 046 391 045	
Reserves						
Accumulated surplus	497 325 000	3 897 000	501 222 000	1 547 613 045	1 046 391 045	

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property Rates	-	-	-	49 375 852	49 375 852	
Services Charges	40 904 000	(40 904 000)	-	334 168 497	334 168 497	
Grants	426 456 000	(338 000)	426 118 000	427 489 505	1 371 505	
Interest income	20 100 000	(709 000)	19 391 000	12 415 158	(6 975 842)	
Other receipts	22 402 000	73 771 000	96 173 000	52 598 545	(43 574 455)	
	509 862 000	31 820 000	541 682 000	876 047 557	334 365 557	
Payments						
Suppliers and employees	(722 851 000)	(90 000)	(722 941 000)	(637 062 220)	85 878 780	
Finance costs	(13 102 000)	(52 000)	(13 154 000)	(67 368)	13 086 632	
	(735 953 000)	(142 000)	(736 095 000)	(637 129 588)	98 965 412	
Net cash flows from operating activities	(226 091 000)	31 678 000	(194 413 000)	238 917 969	433 330 969	
Cash flows from investing activities						
Purchase of property, plant and equipment	(185 681 000)	2 221 000	(183 460 000)	(163 487 680)	19 972 320	
Proceeds from sale of property, plant and equipment	-	-	-	1 454 803	1 454 803	
Net cash flows from investing activities	(185 681 000)	2 221 000	(183 460 000)	(162 032 877)	21 427 123	
Cash flows from financing activities						
Finance lease payments	-	-	-	(4 076 806)	(4 076 806)	
Net increase/(decrease) in cash and cash equivalents	(411 772 000)	33 899 000	(377 873 000)	72 808 287	454 758 092	
Cash and cash equivalents at the beginning of the year	-	-	-	19 026 891	19 026 891	
Cash and cash equivalents at the end of the year	(411 772 000)	33 899 000	(377 873 000)	91 835 178	473 784 983	

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	58 879 000	8 006 000	66 885 000	-		66 885 000	73 345 242		6 460 242	110 %	125 %
Service charges	357 186 000	(17 772 000)	339 414 000	-		339 414 000	345 005 666		5 591 666	102 %	97 %
Investment revenue	-	-	-	-		-	6 060 972		6 060 972	DIV/0 %	DIV/0 %
Transfers recognised - operational	321 811 000	(338 000)	321 473 000	-		321 473 000	321 083 290		(389 710)	100 %	100 %
Other own revenue	42 502 000	73 062 000	115 564 000	-		115 564 000	72 232 844		(43 331 156)	63 %	170 %
Total revenue (excluding capital transfers and contributions)	780 378 000	62 958 000	843 336 000	-		843 336 000	817 728 014		(25 607 986)	97 %	105 %
Employee costs	(283 826 000)	28 334 000	(255 492 000)	-	-	(255 492 000)	(255 156 547)	-	335 453	100 %	90 %
Remuneration of councillors	(11 135 000)	(16 640 000)	(27 775 000)	-	-	(27 775 000)	(26 316 164)	-	1 458 836	95 %	236 %
Debt impairment	(40 904 000)	(7 358 160)	(48 262 160)			(48 262 160)	(46 868 105)	-	1 394 055	97 %	115 %
Depreciation and asset impairment	(78 148 000)	(18 287 715)	(96 435 715)			(96 435 715)	(131 600 247)	-	(35 164 532)	136 %	168 %
Finance charges	(13 102 000)	(52 000)	(13 154 000)	-	-	(13 154 000)	(10 691 728)	-	2 462 272	81 %	82 %
Materials and bulk purchases	(154 909 000)	(81 730 000)	(236 639 000)	-	-	(236 639 000)	(235 312 620)	-	1 326 380	99 %	152 %
Other expenditure	(232 075 000)	70 589 876	(161 485 124)	-	-	(161 485 124)	(222 968 363)	-	(61 483 239)	138 %	96 %
Total expenditure	(814 099 000)	(25 143 999)	(839 242 999)	-	-	(839 242 999)	(928 913 774)	-	(89 670 775)	111 %	114 %
Surplus/(Deficit)	(33 721 000)	37 814 001	4 093 001	-		4 093 001	(111 185 760)		(115 278 761)	(2 716)%	330 %

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Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	104 645 000	-	104 645 000	-		104 645 000	105 833 087		1 188 087	101 %	101 %
Surplus (Deficit) after capital transfers and contributions	70 924 000	37 814 001	108 738 001	-		108 738 001	(5 352 673)		(114 090 674)	(5)%	(8)%
Surplus/(Deficit) for the year	70 924 000	37 814 001	108 738 001	-		108 738 001	(5 352 673)		(114 090 674)	(5)%	(8)%

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Accounting Policies

1. Basis of preparation

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

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

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

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below. These accounting policies are consistent with those applied in the preparation of the prior year annual financial statements, unless specified otherwise.

1.1 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.

1.2 Presentation currency

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

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Accounting Policies

1.3 New standards and interpretations

Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods. The municipality will comply with the new standards and interpretations in future financial periods.

- GRAP 104: (Revised): Financial Instruments [Effective date: TBD]
- GRAP 20: Related parties [Effective for financial periods after 01/04/2019]
- GRAP 108: Statutory Receivables [Effective for financial periods after 01/04/2019]
- GRAP 109: Accounting by Principals and Agents [Effective for financial periods after 01/04/2019]
- IGRAP 1: (Revised): Applying the Probability Test on Initial Recognition of Revenue [Effective for financial periods after 01/04/2020]
- IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land [Effective for financial periods after 01/04/2019]
- IGRAP 19: Liabilities to Pay Levies [Effective for financial periods after 01/04/2019]
- IGRAP 20: Accounting for Adjustments to Revenue [Effective for financial periods after 01/04/2020]
- Guideline: Guideline on the Application of Materiality to Financial Statements [Effective date: TBD]
- Guideline: Guideline on Accounting for Landfill Sites [Effective date: TBD]
- Directive 7: (Revised): The Application of Deemed Cost. [Effective for financial periods after 01/04/2019]

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.

Standards and Interpretations not yet effective or relevant

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

- GRAP 6: Consolidated and Separate Financial Statements. [Effective for financial periods after 01/04/2019]
- GRAP 7: Investments in Associates. [Effective for financial periods after 01/04/2019]
- GRAP 8: Interests in Joint Ventures. [Effective for financial periods after 01/04/2019]
- GRAP 18: Segment Reporting. [Effective for financial periods after 01/04/2019]
- GRAP 34: Separate Financial Statements. [Effective for financial periods after 01/04/2020]
- GRAP 35: Consolidated Financial Statements. [Effective for financial periods after 01/04/2020]
- GRAP 36: Investments in Associates and Joint Ventures. [Effective for financial periods after 01/04/2020]
- GRAP 37: Joint Arrangements. [Effective for financial periods after 01/04/2020]
- GRAP 38: Disclosure of Interest in Other Entities. [Effective for financial periods after 01/04/2020]
- GRAP 107: Mergers. [Effective for financial periods after 01/04/2019]
- GRAP 110: Living and Non- living Resources. [Effective for financial periods after 01/04/2020]
- IGRAP 11: Consolidation – Special purpose entities. [Effective for financial periods after 01/04/2019]
- IGRAP 12: Jointly controlled entities – Non –monetary contributions by ventures. [Effective for financial periods after 01/04/2019]
- IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset. [Effective for financial periods after 01/04/2019]

1.4 Property, plant and equipment

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

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

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

Initial measurement

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

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

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

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

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

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

Subsequent measurement

The municipality will, after initial recognition, treat items of PPE in terms of the **cost model**, thus carried at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation

Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

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

Land is not depreciated as it is deemed to have an indefinite useful life.

Useful lives

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

Item	Depreciation method	Average useful life
Land and Buildings		
• Land	Straight line	indefinite
• Buildings	Straight line	30 years
Other assets		
• Furniture and fittings	Straight line	5 - 19 years
• Air conditioners	Straight line	5 - 9 years
• Office machines	Straight line	5 - 19 years
• Computer hardwares	Straight line	5 - 19 years

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Accounting Policies

1.4 Property, plant and equipment (continued)

• Transport assets	Straight line	7 - 30 years
Infrastructure		
• Roads ,Bridges and Storm water	Straight line	10 - 100 years
• Pedestrian malls	Straight line	20 years
• Electricity	Straight line	10 - 70 years
• Security measures	Straight line	3 - 7 years
Community Assets		
• Buildings and other assets	Straight line	5 - 50 years
• Recreational facilities	Straight line	15 - 30 years
• Watercraft	Straight line	15 years
• Emergency equipments	Straight line	5 - 15 years
• Plant and equipments	Straight line	5 - 40 years
• Landfill sites	Straight line	5 - 10 years
• Bins and containers	Straight line	5 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

Derecognition

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

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

Assets under construction

Assets under construction are stated at cost and not depreciated until the respective assets are completed and ready for use. Assets under construction are also assessed for impairment.

Impairment of non-cash generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset. Non-cash-generating assets are assets other than cash-generating assets. Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. Useful life is either:

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

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

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Accounting Policies

1.4 Property, plant and equipment (continued)

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

1.5 Intangible assets

An intangible asset is an identifiable non-monetary assets without physical substance.

An asset is identifiable if it either:

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

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

An intangible asset is recognised when:

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

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

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

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

Intangible assets are initially recognised at cost.

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

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

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

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

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

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

Item	Useful life
Computer software, other	2 - 10 years

Intangible assets are derecognised:

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

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Accounting Policies

1.5 Intangible assets (continued)

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

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Accounting Policies

1.6 Financial instruments

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

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

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

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

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

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

A derivative is a financial instrument or other contract with all three of the following characteristics:

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

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

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

A financial asset is:

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

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

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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Accounting Policies

1.6 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification

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

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost

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Accounting Policies

1.6 Financial instruments (continued)

Receivables from Non - exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Exchange transactions	Financial asset measured at amortised cost
Consumer Debtors - Non - Exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value, plus in the case of a financial asset or a financial liability not subsequently measured at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

Reclassification

The municipality does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

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

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

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Accounting Policies

1.6 Financial instruments (continued)

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Financial assets measured at amortised cost:

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

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

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

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised, are not included in the collective assessment for impairment.

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

In making this assessment, management may consider the following indicators as guidance for possible impairment:

- Significant financial difficulty experienced by the debtor;
- Delays in payments (including interest payments) or failure to pay / defaults;
- The probability that the borrower / debtor will enter sequestration (bankruptcy);
- Observable historical data indicating that there is a decrease in the estimated future cash flows that will be received by the municipality from a group of financial assets since the initial recognition of those assets;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with a provision factor of more than 10; and
- Accounts handed over for collection.

Management considers all the indicators above as guidance but only uses the indicators for which there is sufficient information to make the assessment for possible or actual impairment.

Financial assets measured at amortised cost:

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

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1.6 Financial instruments (continued)

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 by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

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1.6 Financial instruments (continued)

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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

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

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

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

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

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

Financial liabilities

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

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

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Accounting Policies

1.6 Financial instruments (continued)

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

Presentation

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

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

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

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

1.7 Significant judgements and sources of estimation uncertainty

The use of judgment, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the relevant asset or liability in future periods.

Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the municipality's accounting policies the following estimates, were made:

Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost, less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

Impairment testing

The recoverable amounts of non-cash generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the management assumption may change which may then impact our estimate.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

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Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Other provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions.

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 19 - Provisions.

Post retirement benefits

Post-employment benefits offered by the municipality take the form of defined benefit plans. The cost of defined benefit pension plans, other post employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 18 - Employee benefit obligations.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of landfill site

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value at the prime interest rate, representing the time value of money.

Depreciation, amortisation, residual values and useful lives

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the how the condition and use of the asset informs the useful life and residual value management considers the impact of technology, industry norms and minimum service requirements of the assets.

Deferred income

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

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Accounting Policies

1.7 Significant judgements and sources of estimation uncertainty (continued)

Heritage assets

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

Impairment of non financial assets

In testing for, and determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

1.8 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

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

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

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

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

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

Cost model

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

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately, which is as follows:

Item	Useful life
Property - land	indefinite
Property - buildings	30 years

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

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

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Accounting Policies

1.9 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Grants are included in non-exchange transactions revenue. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.10 Heritage assets

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

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

Heritage assets are measured at cost.

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

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

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

Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives. The valuation of heritage assets is dependent on the type of the asset and the availability of reliable information. Management makes estimates and assumptions about factors such as the restoration cost, replacement cost and cash flow generating ability in estimating fair value.

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

The municipality derecognises the heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The loss or gain arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the item is derecognised.

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Accounting Policies

1.11 Budget information

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

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

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

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

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

1.12 Related parties

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

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

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

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

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

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

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

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

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

1.13 Borrowing costs

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

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

1.14 Value added tax

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 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.

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1.15 Commitments

Commitments are not recognised in the statement of financial position as a liability, but are included in the disclosure notes in the following cases:

- approved and contracted commitments,
- where the expenditure has been approved and the contract has been awarded at the reporting date, and
- where disclosure is required by a specific standard of GRAP.

Commitments are recorded at cost in the notes to the financial statements when there is a contractual arrangement or an approval by management in a manner that raises a valid expectation that the municipality will discharge its responsibilities thereby incurring future expenditure that will result in an outflow of cash.

1.16 Materiality

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

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

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1.17 Leases

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

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

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date; namely whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the municipality's incremental borrowing rate.

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

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

Operating leases - lessor

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

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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

Operating leases - lessee

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

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Accounting Policies

1.18 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value. Short term investments of the municipality have 3 months maturity date.

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.

1.19 Inventories

The municipality recognises inventories as an asset when:

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

Initial recognition and measurement

Inventories, consisting of consumable stores, land inventories and raw materials are initially recognised at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

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

Subsequent measurement

Consumable stores and raw materials are valued at the lower of cost and net realisable value unless they are distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. The basis of determining cost is the weighted average cost method.

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

Redundant and slow moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Differences arising on the valuation of inventory are recognised in surplus or deficit in the year in which they arose. 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 of inventories. Such reversal is recognised in surplus or deficit in the period in which the reversal occurs.

Land inventory held by the municipality for the purpose of resale is carried at cost and accounted for as inventory.

Derecognition

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised.

1.20 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

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1.20 Transfer of functions between entities not under common control (continued)

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

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

Subsequent measurement and accounting

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

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Accounting Policies

1.21 Employee benefits

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

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

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

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

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

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

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

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

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

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

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

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

Post-employment benefits

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

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

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1.21 Employee benefits (continued)

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

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

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

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

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

Post-employment benefits: Defined contribution plans (Pension Fund)

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

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

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

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

Post-employment benefits: Defined benefit plans (Medical Aid & Long Service Award)

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

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

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an entity (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

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

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1.21 Employee benefits (continued)

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

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

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

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

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

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

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

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

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

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

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

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

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

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

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1.21 Employee benefits (continued)

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

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

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

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

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

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

Post-employment benefit obligations are measured on a basis that reflects:

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

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

Other post retirement obligations

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

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1.21 Employee benefits (continued)

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.22 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

A constructive obligation to restructure arises only when a municipality:

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

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1.22 Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

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

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

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

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

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

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

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

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

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

Provision for landfill site rehabilitation costs

The municipality has an obligation to dismantle, remove and restore items of property plant and equipment. The estimated cost to rehabilitate the landfill sites is performed by qualified engineers, using various assumptions. A provision is then made using those costs. The related cost is measured at cost:

If the related asset is measured using the cost model:

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

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1.23 Revenue from exchange transactions

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

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

Revenue from exchange transactions consists primarily of service charges, rentals, licences and permits, interest received and other income.

Measurement

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

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

Rendering of services

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

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

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

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

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

Interest earned

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.

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

Prepaid Electricity

Prepaid electricity liability portion is estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

Service charges from sewerage and sanitation

Service charges from sewerage and sanitation are based on the extent of the ERF and of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to electricity

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Accounting Policies

1.23 Revenue from exchange transactions (continued)

Service charges relating to electricity are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Provisional estimates of consumption are made in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption. Revenue arising from the consumption of electricity in the month of June is fully accounted for whether invoiced or not. Revenue arising from the application of the approved tariffs, fees and charges is generally recognised when the relevant service is rendered.

Refuse removal

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

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1.23 Revenue from exchange transactions (continued)

Service charges

Service charges are recognised on a monthly basis in arrears by applying the approved tariff and/or contract conditions. Tariffs are determined per category of property usage and are levied on a monthly basis.

Rental income

Rental income is recognised on an ad hoc basis through the renting of municipal facilities such as halls, sports grounds, lease of tents etc. and is charged using the relevant approved tariffs.

Licenses and permits

Revenue of specific licenses and permits is recognised on an ad hoc basis by applying tariffs determined and approved by the Department of Transport and adopted by the municipal council on a yearly basis.

Other Income

Other income included amongst others the following:

- 20% commission on specific licenses and permits
- Sale of bid documents;
- Advertising; and
- Sale of municipal land

1.24 Revenue from non-exchange transactions

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

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

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

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

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

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1.24 Revenue from non-exchange transactions (continued)

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

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Revenue is recognised when fines or summons are issued. The amount due by a particular offender is specified on the notice, summons or equivalent document.

The entity issuing the traffic fine may indicate that reductions are available, subject to further processes being undertaken. Fines reductions are not within the Makhado Municipality's discretion, they are subject to a further judicial process which is outside the municipality's control then these reductions are not considered in measuring the asset (receivable) on initial recognition. This is because of the high degree of uncertainty in estimating the likely outcome of the process.

Relevant disclosures should be made on the assumptions used to estimate revenue and any other relevant information. The municipality is able to reliably measure the fair value of fines issued. The value of the fine that can be imposed on the offender is usually stipulated in legislation, regulation or equivalent, and will vary depending on the nature and severity of the offence. The amount due by a particular offender is usually indicated on the notice, summons or similar document issued. In these instances, the asset (receivable) can be measured reliably. Makhado Local Municipality recognises revenue receivable through fines on the transaction date of the fines issued.

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

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

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

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

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

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

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

Recognition

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

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

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1.24 Revenue from non-exchange transactions (continued)

Measurement

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

The basis of a receivables recognised and the provision for the impairment of fines is based on the following assumptions and methodologies:

- Revenue receivables - Revenue is recognised on the transaction date of the tickets issued;
- Net receivables - Total tickets issued less payments made and that equals tickets outstanding and warrants;
- Provision of impairment losses - 50% of (Warrants & outstanding tickets of current year debt)

- **NB:-** (i) Outstanding tickets refer to tickets which were issued, the court date on the ticket passed without the alleged offender attending and without any action taken by the court;
- (ii) Withdrawals are tickets which the court has withdrawn and considers no action being taken;
- (iii) Warrants are tickets wherein the court has issued warrants to arrest the offenders.

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

Fines

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

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

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

Government grants

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

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1.24 Revenue from non-exchange transactions (continued)

Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a differential rating system i.e business, farming and residential properties. In terms of this system, assessment rates are levied on the market value in respect of properties. Rebates are granted according to the use of the property concerned.

1.25 Investment income

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

1.26 Events after reporting date

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

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

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

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

1.27 Comparative figures

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

Current year comparatives (Budget)

Budget information in accordance with GRAP 1 and 24, has been provided in a separate disclosure note to these annual financial statements.

Prior 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.

Certain comparative figures have been reclassified.

The nature and reasons for the reclassification and restatement are disclosed in note 36 "Prior year adjustments" to the financial statements.

1.28 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.28 Unauthorised expenditure (continued)

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.

1.29 Fruitless and wasteful expenditure

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

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

1.30 Irregular expenditure

Irregular expenditure as defined in section 1 of the Municipal Finance Management Act, (Act No. 56 of 2003) is expenditure incurred by a municipality that is not in accordance with or in contravention of:

- (a) the MFMA, and which has not been condoned in terms of Section 70;
- (b) the Municipal Systems Act, (Act 32 of 2000) and which has not been condoned in terms of that Act;
- (c) the Public Office-Bearers Act, (Act No.20 of 1998);
- (d) the requirements of a supply chain management policy of the municipality or in accordance with the municipality's by-laws giving effect to such policy and which has not been condoned in terms of such policy or by-law.

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.

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

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

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

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Figures in Rand	2019	2018
2. Inventories		
Land inventory	102 082 200	102 933 200
Consumable stores	17 218 291	15 533 179
	119 300 491	118 466 379
Land inventory		
Land inventory		
Opening balance	102 933 200	103 961 200
Land omitted from inventory valuation	-	512 000
Less: Sales	(851 000)	(1 540 000)
	102 082 200	102 933 200
Inventory consumables		
Inventory consumables		
Opening balance	15 533 178	13 682 222
Add: Purchases	13 331 356	11 311 731
Less: Issues	(11 578 614)	(9 476 622)
Inventory adjustment for the year	(67 629)	15 847
	17 218 291	15 533 178
Inventory pledged as security		
No inventory was pledged as security for the current and previous year.		
3. Sundry Debtors		
Other receivables	122 189	599 916
Vhembe District Municipality		
Opening Balance	93 839 073	104 070 304
Current Year Accrual	3 019 296	21 863 263
Bad Debts Written Off	-	(32 094 494)
Total	96 858 369	93 839 073
Less: Allowance for impairment	(96 858 369)	(93 839 073)
	-	-
Reconciliation of provision for doubtful debts		
Opening balance	(93 839 073)	(104 070 304)
Current Year Movement	(3 019 296)	(21 863 263)
Bad Debts Written Off	-	32 094 494
	(96 858 369)	(93 839 073)

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Figures in Rand	2019	2018
4. Receivables from non-exchange transactions		
Traffic fines	<u>17 445 033</u>	<u>13 983 283</u>
Receivables from non-exchange transactions pledged as security		
No receivables from non-exchange transactions were pledged as security for overdraft facilities of the municipality.		
Traffic fines		
The impairment of the traffic fines is based on a management estimate determined by considering the collection rate of issued fines as well as the success rate of appeals on issued fines		
Receivables from traffic fines were impaired during the year as follows:		
Gross Balance	29 085 416	23 280 766
Impairment	(11 640 383)	(9 297 483)
	<u>17 445 033</u>	<u>13 983 283</u>
Reconciliation of provision for impairment of traffic fines		
Opening Balance	9 297 483	6 425 748
Charge for the year	2 342 900	2 871 735
Closing Balance	<u>11 640 383</u>	<u>9 297 483</u>
5. Consumer debtors		
Gross balances		
Rates	84 129 579	66 372 548
Electricity	73 671 253	70 463 701
Interest	52 246 243	40 551 879
Refuse	15 979 303	12 704 913
Sundries	9 932 800	9 812 404
Vat	12 315 325	10 411 924
Other	1 628 845	1 423 077
	<u>249 903 348</u>	<u>211 740 446</u>
Less: Allowance for impairment		
Rates	(62 803 089)	(47 251 931)
Electricity	(55 167 790)	(50 164 504)
Interest	(39 123 941)	(28 869 686)
Refuse	(11 965 900)	(9 044 879)
Sundries	(7 438 052)	(6 985 645)
VAT	(9 222 176)	(7 412 455)
Other	(1 219 740)	(1 013 117)
	<u>(186 940 688)</u>	<u>(150 742 217)</u>

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Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Net balance		
Rates	21 326 491	19 120 617
Electricity	18 503 463	20 299 197
Interest	13 122 302	11 682 193
Refuse	4 013 403	3 660 034
Sundries	2 494 748	2 826 759
VAT	3 093 149	2 999 469
Other	409 105	409 960
	62 962 661	60 998 229
Included in above is receivables from exchange transactions		
Electricity	18 503 463	20 299 197
Interest	13 122 302	11 682 193
Refuse	4 013 403	3 660 034
Sundries	2 494 748	2 826 759
VAT	3 093 149	2 999 469
Other	409 105	409 960
	41 636 170	41 877 612
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	21 326 491	19 120 617
Net balance	62 962 661	60 998 229
Rates		
Current (0 -30 days)	7 946 663	6 204 402
31 - 60 days	2 731 274	2 112 796
61 - 90 days	2 531 492	1 990 139
91 - 120 days	2 355 518	1 922 316
121 - 365 days	68 564 632	54 142 895
	84 129 579	66 372 548
Electricity		
Current (0 -30 days)	32 817 864	26 300 466
31 - 60 days	1 941 786	2 451 227
61 - 90 days	1 106 073	2 266 020
91 - 120 days	1 216 101	2 608 436
121 - 365 days	36 589 429	36 837 551
	73 671 253	70 463 700
Interest		
Current (0 -30 days)	3 381 920	2 976 218
31 - 60 days	1 621 624	1 405 845
61 - 90 days	1 590 758	1 357 800
91 - 120 days	1 516 058	1 313 004
121 - 365 days	44 135 885	33 499 012
	52 246 245	40 551 879

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Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Refuse		
Current (0 -30 days)	2 358 071	1 037 633
31 - 60 days	338 816	319 539
61 - 90 days	343 275	307 867
91 - 120 days	317 349	299 441
121 - 365 days	12 621 792	10 740 432
	15 979 303	12 704 912
Sundries		
Current (0 -30 days)	1 236 076	920 220
31 - 60 days	218 812	249 243
61 - 90 days	193 931	283 695
91 - 120 days	170 504	230 203
121 - 365 days	8 113 476	8 129 043
	9 932 799	9 812 404
VAT		
Current (0 -30 days)	3 960 575	3 024 813
31 - 60 days	373 859	419 246
61 - 90 days	235 723	330 343
91 - 120 days	229 535	402 609
121 - 365 days	7 515 632	6 234 914
	12 315 324	10 411 925
Other		
Current (0 -30 days)	100 622	98 289
31 - 60 days	28 330	27 285
61 - 90 days	24 866	22 149
91 - 120 days	27 049	22 856
121 - 365 days	1 447 978	1 252 498
	1 628 845	1 423 077

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Figures in Rand	2019	2018
5. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	13 099 507	11 019 737
31 - 60 days	3 219 459	2 612 982
61 - 90 days	2 749 201	2 538 371
91 - 120 days	2 582 747	2 407 698
121 - 365 days	19 074 584	15 719 158
> 365 days	71 702 562	57 089 439
	<u>112 428 060</u>	<u>91 387 385</u>
Less: Allowance for impairment	(104 968 482)	(85 520 552)
	<u>7 459 578</u>	<u>5 866 833</u>
Industrial/ Commercial/Government/Churches/ Municipal		
Current (0 -30 days)	28 633 011	22 807 305
31 - 60 days	2 699 852	3 467 978
61 - 90 days	2 305 380	2 810 790
91 - 120 days	2 306 350	3 056 438
121 - 365 days	14 332 311	18 973 723
> 365 days	43 292 176	36 582 005
	<u>93 569 080</u>	<u>87 698 239</u>
Less: Allowance for impairment	(47 380 674)	(37 047 780)
	<u>46 188 406</u>	<u>50 650 459</u>
Agriculture		
Current (0 -30 days)	9 807 151	6 735 000
31 - 60 days	1 597 313	904 220
61 - 90 days	971 536	1 208 853
91 - 120 days	943 019	1 334 729
121 - 365 days	6 209 560	6 887 522
> 365 days	24 377 629	15 584 497
	<u>43 906 208</u>	<u>32 654 821</u>
Less: Allowance for impairment	(34 591 532)	(28 173 884)
	<u>9 314 676</u>	<u>4 480 937</u>
Total		
Current (0 -30 days)	51 539 669	40 562 042
31 - 60 days	7 516 623	6 985 180
61 - 90 days	6 026 117	6 558 014
91 - 120 days	5 832 115	6 798 865
121 - 365 days	39 616 456	41 580 403
> 365 days	139 372 367	109 255 941
	<u>249 903 347</u>	<u>211 740 445</u>
Less: Allowance for impairment	(186 940 687)	(150 742 217)
	<u>62 962 660</u>	<u>60 998 228</u>
Less: Allowance for impairment		
Current (0 -30 days)	(38 594 832)	(28 876 921)
31 - 60 days	(5 432 442)	(4 972 888)
61 - 90 days	(4 512 582)	(4 668 780)
91 - 120 days	(4 367 306)	(4 840 247)
121 - 365 days	(29 666 284)	(29 601 913)
> 365 days	(104 367 241)	(77 781 468)

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer debtors (continued)		
	(186 940 687)	(150 742 217)
Reconciliation of provision for doubtful debts		
Opening balance	150 742 217	106 589 003
Allowance for impairment	41 505 909	44 768 378
Amounts written off as uncollectible	(5 307 439)	(615 164)
	186 940 687	150 742 217

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 29).

Debtors are individually assessed annually at balance sheet date for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt older than 30 days, and considers past and current payment patterns.

Trade and other receivables pledged as security

There were no trade and other receivables pledged as security during the current and prior year.

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Primary bank account	90 954 379	18 178 125
Short-term deposits	854 099	823 566
Cash Float	11 700	10 200
Petty Cash	15 000	15 000
	91 835 178	19 026 891

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6. Cash and cash equivalents (continued)

The Municipality had the following bank accounts:

Account Number	Bank Statement Balance: 30 June 2019	Bank Statement Balance: 30 June 2018	Bank Statement Balance: 30 June 2017	Cash Book Balance: 30 June 2019	Cash Book Balance: 30 June 2018	Cash Book Balance: 30 June 2017
FNB BANK - Primary account - 623-0832-9988	87 201 409	20 191 898	9 994 289	90 954 379	18 178 125	9 994 289
FNB BANK - Investment account - 623-0833-0779	20 482	20 351	20 205	20 482	20 351	20 205
FNB BANK - Investment account - 624-0465-0435	730 945	703 738	677 186	730 945	703 738	677 186
FNB BANK - Call account - 624-8284-3408	102 671	99 477	97 045	102 671	99 477	97 045
VBS MUTUAL BANK- Investment account- MAK01002957 0006	-	-	41 370 387	-	-	41 370 387
VBS MUTUAL BANK Investment account- MAK01002957 0005	-	-	51 144 997	-	-	51 144 997
	88 055 507	21 015 464	103 304 109	91 808 477	19 001 691	103 304 109

Short Term Investments

Average rate of investments is 5.37 %. The municipality's investments are held with FNB Bank, amounting to R 854 099 (2018: R 823,566). The interest earned as at 30 June 2019 amounted to R 30 533 (2018: R 29 129.03) respectively.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates.

Cash and cash equivalents pledged as collateral

No cash and cash equivalents were pledged as collateral in the current financial year and previous years.

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7. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	18 777 018	(2 429 956)	16 347 062	18 777 018	(1 980 295)	16 796 723

Reconciliation of investment property - 2019

	Opening balance	Impairments	Depreciation	Total
Investment property	16 796 723	(64 640)	(385 021)	16 347 062

Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	17 181 744	(385 021)	16 796 723

Pledged as security

No investment property of the municipality was pledged as security.

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8. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	236 793 833	-	236 793 833	238 053 833	-	238 053 833
Buildings	36 902 731	(15 427 431)	21 475 300	53 816 419	(16 901 076)	36 915 343
Machinery and equipments	34 986 121	(21 860 622)	13 125 499	30 551 833	(21 812 198)	8 739 635
Furniture and office equipments	12 846 600	(8 330 000)	4 516 600	12 868 976	(7 421 098)	5 447 878
Transport assets	38 016 200	(20 350 169)	17 666 031	47 928 234	(37 627 843)	10 300 391
Computer equipments	6 550 009	(4 287 080)	2 262 929	5 748 310	(3 776 995)	1 971 315
Infrastructure assets	2 210 341 972	(1 022 890 717)	1 187 451 255	2 151 371 280	(910 797 704)	1 240 573 576
Community assets	76 844 484	(22 515 979)	54 328 505	76 844 484	(19 333 964)	57 510 520
Library Books	2 422 330	(1 879 182)	543 148	2 422 040	(1 687 543)	734 497
Work In Progress	41 558 674	-	41 558 674	40 393 552	-	40 393 552
Total	2 697 262 954	(1 117 541 180)	1 579 721 774	2 659 998 961	(1 019 358 421)	1 640 640 540

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8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Transfers to PPE	Depreciation	Impairment loss	Total
Land	238 053 833	-	(1 260 000)	-	-	-	-	236 793 833
Buildings	36 915 343	373 082	(12 645 596)	-	-	(1 855 404)	(1 312 125)	21 475 300
Machinery and equipments	8 739 635	7 795 589	(498 094)	-	-	(2 444 589)	(467 042)	13 125 499
Furniture and office equipments	5 447 879	373 885	(78 840)	-	-	(900 722)	(325 602)	4 516 600
Transport assets	10 300 391	11 238 725	(1 456 007)	(66 618)	-	(2 328 094)	(22 366)	17 666 031
Library Books	734 497	290	-	-	-	(191 620)	(19)	543 148
Computer equipments	1 971 314	1 038 552	(16 771)	-	-	(638 762)	(91 404)	2 262 929
Infrastructure assets	1 240 573 578	70 161 086	(6 440 307)	-	-	(104 325 345)	(12 517 757)	1 187 451 255
Community assets	57 510 520	-	-	-	-	(2 787 558)	(394 457)	54 328 505
Work In Progress	40 393 552	71 699 290	-	-	(70 534 168)	-	-	41 558 674
	1 640 640 542	162 680 499	(22 395 615)	(66 618)	(70 534 168)	(115 472 094)	(15 130 772)	1 579 721 774

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers to PPE	Disposals	Impairment loss	Depreciation	Total
Land	238 053 833	-	-	-	-	-	238 053 833
Buildings	36 966 580	1 849 757	-	(47 165)	-	(1 853 829)	36 915 343
Machinery and equipments	11 253 868	408 187	-	(58 714)	(136 436)	(2 727 270)	8 739 635
Furniture and office equipments	5 090 859	1 719 284	-	(7 152)	(98 900)	(1 256 213)	5 447 878
Transport assets	14 425 394	1 259 744	-	-	(678)	(5 384 069)	10 300 391
Library Books	811 986	109 736	-	(435)	(300)	(186 490)	734 497
Computer equipments	2 435 093	291 348	-	(896)	(12 070)	(742 160)	1 971 315
Infrastructure assets	1 299 081 007	50 101 725	-	-	(5 923 866)	(102 685 290)	1 240 573 576
Community assets	48 640 016	11 515 093	-	-	(4 195)	(2 640 394)	57 510 520
Work In Progress	47 675 618	51 826 435	(59 108 501)	-	-	-	40 393 552
	1 704 434 254	119 081 309	(59 108 501)	(114 362)	(6 176 445)	(117 475 715)	1 640 640 540

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8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	39 427 028	-	966 524	40 393 552
Additions/capital expenditure	58 742 129	10 537 754	2 419 407	71 699 290
Transferred to completed items	(69 936 086)	(130 150)	(467 932)	(70 534 168)
	28 233 071	10 407 604	2 917 999	41 558 674

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Other PPE	Total
Opening balance	26 768 167	6 510 197	14 397 252	47 675 616
Additions/capital expenditure	49 193 729	2 137 814	494 893	51 826 436
Transferred to completed items	(36 534 868)	(8 648 011)	(13 925 621)	(59 108 500)
	39 427 028	-	966 524	40 393 552

Impairment of non cash generating assets

At the reporting date all asset classes were assessed for impairment and the following classes of assets were impaired at reporting date and below are the asset categories that have been impaired by the following amounts:

Asset Class	2019
Infrastructure assets	12 517 757
Machinery and equipment	467 042
Furniture and fittings	325 602
Computer assets	91 404
Transport assets	22 366
Library books	19
Community assets	394 457
Buildings	1 312 125
Investment Property	64 640
	15 195 412

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.

Useful Lives

The useful lives of the assets have been reviewed to ensure that they more accurately reflect the actual expected life spans of the assets within the municipality. In all of the cases, the useful lives were adjusted as they were found to have changed from the previous financial period. Refer to Note 11 for Changes in Accounting Estimates.

Property Register

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.

Pledged as security

No property, plant and equipment of the municipality were pledged as security.

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9. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Intangible assets (finite)	6 011 583	(4 234 995)	1 776 588	5 204 403	(3 687 310)	1 517 093

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 517 093	807 180	(547 685)	1 776 588

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Intangible assets (finite)	1 347 549	602 884	(433 340)	1 517 093

Pledged as security

No intangible assets of the municipality were pledged as security.

Restricted title

There is no restriction on the title of Intangible Assets. Intangible Assets have finite useful lives and are amortized over the useful lives

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10. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	2 160 329	-	2 160 329	2 160 329	-	2 160 329

Reconciliation of heritage assets 2019

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Reconciliation of heritage assets 2018

	Opening balance	Total
Heritage assets	2 160 329	2 160 329

Pledged as security

No heritage assets of the municipality were pledged as security.

Expenditure incurred to repair and maintain heritage assets

In the current year, the municipality did not incur any expenditure to repair or maintain the heritage assets.

11. Changes in Accounting Estimates

Included in depreciation of R116 404 835 for the current financial year is a change in estimate resulting in a decrease in depreciation of property, plant and equipment for the current year of R888 919 (R117 293 754 – R116 404 835) that arose from the decision to change the remaining useful lives of certain classes of property, plant and equipment in the current year. This change will result in an increase of depreciation in future periods of R888 919.

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12. Finance lease obligation		
Minimum lease payments due		
- within one year	561 134	3 226 133
- in second to fifth year inclusive	187 044	748 178
	<u>748 178</u>	<u>3 974 311</u>
less: future finance charges	(51 646)	(231 607)
Present value of minimum lease payments	<u>696 532</u>	<u>3 742 704</u>
Present value of minimum lease payments due		
- within one year	513 414	3 046 172
- in second to fifth year inclusive	183 118	696 532
	<u>696 532</u>	<u>3 742 704</u>
Non-current liabilities	183 118	696 532
Current liabilities	513 414	3 046 172
	<u>696 532</u>	<u>3 742 704</u>

It is municipality policy to lease certain equipment under finance leases, denominated in the presentation currency (Rand).

The average lease term was 3-10 years and the average effective borrowing rate was 10% (2018: 9.67%).

Interest rates are linked to prime at the contract date while some increase by a fixed margin. Motor vehicle and photocopier leases have variable repayments. The repayments increase by an average of 10% per year over the period of the lease contract.

The municipality's obligations under finance leases are secured by the lessor's title to the leased assets.

Defaults and breaches

During the current year, there were no defaults or breaches of any finance leases agreements.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand.

The fair value of finance lease liabilities approximates their carrying amounts.

13. Payables from exchange transactions

Salary Control	-	292 412
Accrued operating creditors	95 941 647	58 788 473
Retentions	21 879 328	21 358 101
Debtors with credit balances	8 543 216	9 589 950
Other creditors	14 449 516	14 624 078
Provision for bonus: Section 57 Managers	1 377 900	871 318
Provision for leave pay	25 777 661	23 291 153
Provision for bonus: General Employees	5 950 598	5 605 059
	<u>173 919 866</u>	<u>134 420 544</u>
Fair value of payables from exchange transactions		
Trade payables	<u>173 919 866</u>	<u>134 420 544</u>

The carrying amount of payables from exchange transactions approximates their fair values.

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Figures in Rand	2019	2018
14. VAT payable		
VAT payables	<u>29 237 771</u>	<u>31 162 737</u>

The municipality is registered for Value Added Tax (VAT) on the payment basis to SARS in accordance with the VAT Act no 89 of 1991. 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.

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15. Unspent conditional grants and receipts

Unspent grants are mainly attributed to projects that are work in progress in the relevant financial year-ends. The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Demarcation Transition Grant	-	500 000
Local Economic Development	3 473 128	2 400 000
	3 473 128	2 900 000

Movement during the year

Balance at the beginning of the year	2 900 000	12 818 026
Current year receipts	427 989 505	435 102 315
Conditions met - Transferred to revenue	(426 916 377)	(443 008 275)
Amounts Withheld	(500 000)	(2 012 066)
	3 473 128	2 900 000

See note 22 for reconciliation of grants from National/Provincial Government.

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16. Consumer deposits

Electricity	16 465 002	15 846 453
Housing rental	64 175	84 504
	<u>16 529 177</u>	<u>15 930 957</u>

During the financial period ended 30 June 2019, the municipality had guarantees in lieu of customers of R 1 723 787 (2018: R1 216 407)

17. Deferred Income

The deferred income was estimated based on the average unit sales and rate per unit as at 30 June 2019 and 30 June 2020 based on the Contour Prepaid Electricity vending system.

Deferred Income	<u>105 741</u>	<u>29 062</u>
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18. Employee benefit obligations

Long Service Awards Obligation

The actuarial valuation of the long service award was performed by Chanan Weiss (Fellow of the Actuarial Society of South Africa), on behalf of ARCH Actuarial Consulting.

The long service bonus award provision consists of an obligation to pay out a bonus to qualifying employees in the year the employee attains the required service period. The obligation represents a liability to Makhado Local Municipality and the value is represented by the present value of the long service bonus awards expected to be paid in future. The valuation is thus an estimate of the cost of providing long service awards. The actual cost to the municipality will be dependent on the future levels of assumed variables and the demographic profile of the membership. The municipality is required to pay bonuses to its employees for every 5 years of service completed from 10 years to 45 years. This will be in the form of leave days accumulated, that will be encashed immediately.

Valuation assumptions made include Discount Rate of 7.99% (2018: 8.45%), Consumer Price Inflation of 5.46% (2018: 6.09%), Normal Salary Increase of 6.5% (2018: 7%) and Net Effective Discount Rate of 2.4% (2018: 2.22%), Mortality SA 85-90 (2018: SA 85-90)

	2019	2018
Total long service awards liability		
Opening balance	14 054 735	13 820 520
Current service cost	1 141 506	1 080 068
Interest cost	1 118 162	1 088 198
Actuarial gains/loss	(125 858)	(344 763)
Subtotal	16 188 545	15 644 023
Expected employer benefit vesting	(1 698 867)	(1 589 288)
	14 489 678	14 054 735

Post retirement medical aid plan

The municipality operates an unfunded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of Bonitas, Keyhealth, Hosmed, LA Health and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members' post employment medical aid contributions up to an amount that is currently capped at R5,327 per month. Under the plan, dependents of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the balance sheet date, the members of the medical aid entitled to the post employment medical scheme subsidy were 383 in service members, 196 in service non- members and 37 continuation(retiree and widow) members.

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

	2019	2018
Total post-retirement health care benefits liability		
Opening balance	94 131 000	97 174 655
Current service cost	4 803 327	4 630 934
Interest cost	9 029 349	9 539 334
Actuarial gains/loss	(13 695 249)	(15 399 206)
Subtotal	94 268 427	95 945 717
Expected contributions (benefits paid)	(1 995 113)	(1 814 717)
	92 273 314	94 131 000

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18. Employee benefit obligations (continued)		
Reconciliation and projection of the unfunded accrued liability		
Carrying value		
Opening Balance	(108 185 735)	(110 995 175)
Current Service Costs	(5 944 833)	(5 711 002)
Interest Costs	(10 147 511)	(10 627 532)
Expected employee benefit vesting	3 693 980	3 404 005
Actuarial gain/(loss)	13 821 107	15 743 969
	(106 762 992)	(108 185 735)
Non-current liabilities	(102 559 445)	(104 368 258)
Current liabilities	(4 203 547)	(3 817 477)
	(106 762 992)	(108 185 735)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9,51 %	9,70 %
Expected rate of return on reimbursement rights	3,28 %	2,07 %
Expected increase in salaries	6,50 %	7,00 %
Expected increase in healthcare costs	6,96 %	7,48 %

The salaries used in the valuation include an assumed increase on 01 July 2019 of 6.5% as per the SALGBC Circular No: 01/2019. The next salary increase was assumed to take place on 01 July 2020.

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19. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Unwind Interest	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	9 145 116	474 634	-	9 619 750
New Landfill Site [Permit Number:12/9/11/L413/6]	3 416 416	-	296 887	3 713 303
	12 561 532	474 634	296 887	13 333 053

Reconciliation of provisions - 2018

	Opening Balance	Additions	Unwind Interest	Total
Old Landfill Site [Permit Number: 16/2/7/A 700/D1/Z1/P256]	8 392 776	752 340	-	9 145 116
New Landfill Site [Permit Number:12/9/11/L413/6]	-	3 240 459	175 957	3 416 416
	8 392 776	3 992 799	175 957	12 561 532

Environmental rehabilitation provision

Long-term obligations comprising pollution control, rehabilitation and site closure result from environmental disturbances associated with the municipality's operations. Estimates are determined by independent environmental specialists in accordance with environmental regulations.

Restoration costs

Changes in the discounted amount of estimated restoration costs are charged to profit or loss during the period in which such changes occur. Estimated restoration costs are reviewed annually and discounted using a pre-tax risk-free rate that reflects market assessments of the value of money. The increase in restoration provisions owing to the passage of time is charged to finance costs. All other charges in the carrying amount of the provision subsequent to initial recognition are included in profit or loss in the period in which they are incurred.

Ongoing rehabilitation cost

The cost of ongoing current programmes to prevent and control pollution is recognised as an expense when incurred.

Critical accounting estimates and assumptions

The municipality's activities are subject to various laws and regulations governing the protection of the environment. The municipality recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred and actual timing thereof in future periods can differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of site estimates and discount rates can affect the carrying amount of this provision.

Estimated long-term environmental provisions, comprising pollution control, rehabilitation and landfill site closure, are based on the municipality's environmental policy taking into account current technological, environmental and regulatory requirements. Provisions for future rehabilitation costs have been determined, based on calculations which require the use of estimates.

Rehabilitation costs have been calculated as the present value of future obligation, discounted at an interest rate of 5.43%. The municipality has two landfill sites where it is required to rehabilitate the land at the end of their useful lives. The other landfill site has reached its useful life on 30 June 2017. The rehabilitation process on this landfill site has started. The new landfill site has been in operation from 01 July 2017.

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20. Service charges		
Sale of electricity	333 647 130	285 881 370
Refuse removal	11 358 536	8 847 495
	345 005 666	294 728 865

The amount disclosed above for revenue from service charges is in respect of services rendered which are billed to the consumers on a monthly basis according to approved tariffs.

21. Operational Revenue

Burial fees	99 771	114 243
Advertising	30 173	99 902
Employee benefit vesting	3 693 980	3 404 005
Land sales	3 002 251	2 622 747
Agency income - LIM345	-	3 294 834
Annual Show Revenue	-	413 763
Sundries	4 014 866	10 006 443
Actuarial income	13 821 107	15 743 969
Sale of tender documents	1 210 768	600 176
Building plans	145 818	184 414
	26 018 734	36 484 496

22. Property rates

Rates received

Residential	37 838 152	34 427 311
Commercial	22 833 956	17 291 300
State	12 673 134	8 474 722
	73 345 242	60 193 333

Valuations

Residential	6 087 847 516	4 893 229 807
Business	1 356 753 901	1 589 032 500
Agricultural	6 574 644 651	4 239 162 609
Municipal	118 673 157	175 400 000
Churches	56 255 400	102 758 000
Land reform beneficiaries	-	310 045 000
Government	164 860 365	-
	14 359 034 990	11 309 627 916

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.

Rates are levied monthly on property owner's accounts.

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23. Government grants and subsidies		
Operating grants		
Equitable share	316 259 000	294 080 066
Municipal Demarcation Transition Grant	-	2 384 193
Municipal System Improvement Grant	1 055 000	-
Expanded Public Works Programmes (EPWP)	1 240 000	2 048 000
Finance Management Grant (FMG)	1 700 000	1 700 000
Local Government Sector for Education and Training Authority	829 290	1 423 249
	<u>321 083 290</u>	<u>301 635 508</u>
Capital grants		
Municipal Infrastructure Grant (MIG)	87 732 000	116 372 767
Intergrated National Electrification Programme (INEP)	16 913 000	25 000 000
Local Economic Development	1 188 087	-
	<u>105 833 087</u>	<u>141 372 767</u>
	<u>426 916 377</u>	<u>443 008 275</u>
Capital and Operational Grants Received		
Included in above are the following grants and subsidies received:		
Capital grants received	106 906 215	133 569 000
Operational grants received	4 824 290	7 453 249
Equitable Share received	315 759 000	292 068 000
	<u>427 489 505</u>	<u>433 090 249</u>
Equitable Share		
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. The Equitable share is the unconditional share of the revenue raised nationally and is being allocated in terms of section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.		
All registered indigents received a subsidy of R 1 809 488 (2018: R 2,441,497) which is funded from the grant during the year.		
Current-year receipts	315 759 000	292 068 000
Roll-over amounts declined-Deducted from Equitable Share	500 000	2 011 000
Conditions met - transferred to revenue	<u>(316 259 000)</u>	<u>(294 079 000)</u>
	<u>-</u>	<u>-</u>
Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of year	-	10 203 767
Current-year receipts	87 732 000	106 169 000
Conditions met - transferred to revenue	<u>(87 732 000)</u>	<u>(116 372 767)</u>
	<u>-</u>	<u>-</u>
The conditions of the grant were fully met - (see note 15).		
MIG Grant was used to accelerate the provision of basic service delivery through construction of capital projects.		
Integrated National Electricity Programme (INEP)		
Current-year receipts	16 913 000	25 000 000
Conditions met - transferred to revenue	<u>(16 913 000)</u>	<u>(25 000 000)</u>

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	2019	2018
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23. Government grants and subsidies (continued)

	-	-
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The conditions of the grant were fully met - (see note 15).

The purpose of this grant is to address electrification backlog of permanently occupied residential dwellings.

Expanded Public Works Grant (EPWP)

Current-year receipts	1 240 000	2 048 000
Conditions met - transferred to revenue	<u>(1 240 000)</u>	<u>(2 048 000)</u>
	<u>-</u>	<u>-</u>

The conditions of the grant were fully met - (see note 15).

The grant was received from the Department of Co-operative Governance and Traditional Affairs (CoGTA) and spent on employing casual workers within community based projects.

Financial Management Grant (FMG)

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	<u>(1 700 000)</u>	<u>(1 700 000)</u>
	<u>-</u>	<u>-</u>

The conditions of the grant were fully met - (see note 15).

FMG is used to promote and support reforms in the financial management by building capacity in municipalities to implement the Municipal Finance Management Act (MFMA).

Municipal Demarcation Transitional Grant (MDTG)

Balance unspent at beginning of year	500 000	2 602 193
Current-year receipts	-	2 282 000
Conditions met - transferred to revenue	-	(2 384 193)
Amount Withheld	<u>(500 000)</u>	<u>(2 000 000)</u>
	<u>-</u>	<u>500 000</u>

The conditions of the grant were fully met - (see note 15).

The purpose of this grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that came into effect after 2016 local government election. The grant only subsidises the additional administrative posts related to mergers (such as merging and changing administrative systems and cost related to changing staff).

Local Economic Development Grant (LED)

Balance unspent at beginning of year	2 400 000	-
Current-year receipts	2 261 215	2 400 000
Conditions met - transferred to revenue	<u>(1 188 087)</u>	<u>-</u>
	<u>3 473 128</u>	<u>2 400 000</u>

The conditions of the grant were partially met - (see note 15).

The purpose of this grant is to encourage local economic development, by allowing local people to work together to achieve sustainable economic growth and development.

Local Government Sector for Education and Training Authority

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23. Government grants and subsidies (continued)		
Current-year receipts	829 290	1 423 249
Conditions met - transferred to revenue	(829 290)	(1 423 249)
	-	-
The conditions of the grant were fully met- (see note 15).		
This grant is for in-service training.		
Municipal System Improvement Grant		
Current-year receipts	1 055 000	-
Conditions met - transferred to revenue	(1 055 000)	-
	-	-
Conditions of the grant were fully met - (see note 15).		
The grant is meant for system and policy related projects.		
24. Revenue		
Fines, penalties and forfeits	7 742 040	5 819 498
Government grants & subsidies	426 916 377	443 008 275
Interest earned - outstanding receivables	19 777 159	15 960 410
Interest received from financial institutions	6 060 972	9 338 780
Licences and permits	7 423 893	8 541 044
Other income	26 018 734	36 484 496
Property rates	73 345 242	60 193 333
Rental of facilities and equipment	834 870	769 125
Service charges	345 005 666	294 728 865
	913 124 953	874 843 826
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	345 005 666	294 728 865
Rental of facilities and equipment	834 870	769 125
Interest earned- outstanding receivables	19 777 159	15 960 410
Licences and permits	7 423 893	8 541 044
Other income	26 018 734	36 484 496
Interest received from financial institutions	6 060 972	9 338 780
	405 121 294	365 822 720
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	73 345 242	60 193 333
Transfer revenue		
Government grants & subsidies	426 916 377	443 008 275
Fines, Penalties and Forfeits	7 742 040	5 819 498
	508 003 659	509 021 106

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Figures in Rand	2019	2018
25. Employee related costs		
Basic	149 830 015	142 278 146
Bonus	13 157 891	12 376 448
Medical aid - company contributions	15 077 784	15 393 300
UIF	1 012 831	1 058 861
Other payroll levies	59 279	59 645
Leave pay provision charge	5 839 227	4 046 977
Post employment benefits	30 731 001	29 324 875
Travel, motor car, accommodation, subsistence and other allowances	10 330 946	13 638 034
Overtime payments	17 167 096	18 515 077
Employee benefits - Current service costs	5 944 833	7 393 403
Acting allowances	1 917 079	1 964 500
Housing benefits and allowances	442 462	399 661
Standby allowance	2 083 901	2 007 308
Group life insurance	1 562 202	1 379 230
	255 156 547	249 835 465
Remuneration of Municipal Manager		
Annual Remuneration	971 257	538 491
Car Allowance	297 854	161 226
Contributions to UIF, Medical and Pension Funds	210 196	118 790
Other	17 579	9 941
	1 496 886	828 448
Appointed 01 December 2017 and the employment is still subsisting.		
Remuneration of Chief Finance Officer		
Annual Remuneration	489 453	472 316
Acting Allowance	57 150	48 958
Car Allowance	203 829	216 195
Contributions to UIF, Medical and Pension Funds	122 472	92 141
Other	-	5 805
	872 904	835 415
Appointed 01 November 2018 and the employment is still subsisting.		
Remuneration of Director Technical Services		
Annual Remuneration	-	692 000
Acting Allowance	118 297	8 104
Car Allowance	-	259 840
Contributions to UIF, Medical and Pension Funds	-	98 516
Other	-	13 840
	118 297	1 072 300
Appointed from 01 September 2015 until 31 May 2018. Currently position is on acting basis..		
Remuneration of Director Corporate Services		
Annual Remuneration	734 179	696 565
Car Allowance	303 865	285 700
Contributions to UIF, Medical and Pension Funds	171 218	164 745
Other	14 370	13 931

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25. Employee related costs (continued)	1 223 632	1 160 941

Appointed from 01 August 2014 and the employment is still subsisting.

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Figures in Rand	2019	2018
25. Employee related costs (continued)		
Remuneration of Director Planning and Development		
Annual Remuneration	244 726	696 565
Acting Allowance	80 718	-
Car Allowance	125 697	373 562
Contributions to UIF, Medical and Pension Funds	37 454	90 814
	488 595	1 160 941
Appointed from 01 October 2014 until 31 October 2018. Currently position on acting basis.		
Remuneration of Director Community Services		
Annual Remuneration	672 998	696 565
Acting Allowance	70 326	-
Car Allowance	299 419	309 838
Contributions to UIF, Medical and Pension Funds	136 100	140 608
Other	13 146	13 931
	1 191 989	1 160 942
Appointed from 01 June 2014 until 31 May 2019. Currently position is on acting basis.		
26. Remuneration of councillors		
Mayor	868 133	842 441
Speaker	708 111	678 182
Councillors	24 739 920	23 786 233
	26 316 164	25 306 856
27. Depreciation and amortisation		
Property, plant and equipment	115 472 129	117 475 715
Investment properties	385 021	385 021
Intangible assets	547 685	433 340
Total depreciation and amortisation	116 404 835	118 294 076
28. Finance costs		
Interest cost: Annuity loans	-	118 665
Interest cost: Actuarial valuation	10 147 511	10 627 532
Interest cost: Trade and other payables	67 368	716 847
Interest cost: Finance leases	179 962	520 191
Interest cost: Landfill site	296 887	175 957
	10 691 728	12 159 192
29. Provision for doubtful debts		
Consumer debtors	41 505 909	44 768 378
Traffic Fines	2 342 900	2 871 735
Vhembe debtor	3 019 296	21 863 263
VBS Investments	-	62 734 049
	46 868 105	132 237 425

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Figures in Rand	2019	2018
30. Bulk purchases		
Electricity	<u>235 312 620</u>	<u>212 654 238</u>
31. General expenses		
Cost of sales: Land	851 000	1 540 000
Advertising & publications	6 565 885	6 078 941
Bank charges	927 697	880 518
Consumables	29 820 861	49 258 481
Entertainment	-	161 813
Insurance	2 322 923	2 826 028
Bursaries	482 317	535 372
IT expenses	301 729	296 672
Levies	2 940 374	2 269 188
Debt collectors commission	1 903 042	2 422 004
Ward committees allowances	4 442 294	5 320 881
Postage and courier	54 104	27 728
Royalties and license fees	411 878	336 983
Workmens compensation	1 984 722	1 925 491
Subscriptions and membership fees	2 948 491	3 052 872
Telephone and fax	4 688 735	3 866 291
Travel - local	4 476 775	4 755 250
Uniform expenses	1 722 646	1 293 775
Indigent policy	1 809 488	2 441 497
Special programmes	792 580	2 238 637
Other expenses	474 634	1 740 444
	<u>69 922 175</u>	<u>93 268 866</u>
32. Investment revenue		
Interest revenue		
Interest received from investments	30 533	5 945 895
Interest received from primary account	6 030 439	3 392 885
	<u>6 060 972</u>	<u>9 338 780</u>
33. Interest earned- outstanding receivables		
Interest receivable from debtors	<u>19 777 159</u>	<u>15 960 410</u>
	<u>19 777 159</u>	<u>15 960 410</u>

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34. Cash generated from operations		
Deficit	(5 352 673)	(165 121 753)
Adjustments for:		
Depreciation and amortisation	116 404 835	118 294 076
Impairment of non-cash generating assets	15 195 412	6 176 444
Inventory write down	-	254 666
Gains/(losses) on transfer	-	941 665
Gains/(losses) on property, plant & equipment	14 859 251	-
Gains/(losses): Actuarial valuation	(13 821 107)	(15 743 969)
Expected employee benefit vesting	(3 693 980)	(3 404 005)
Interest on arrea accounts	(19 777 159)	(15 960 410)
Finance costs - Finance leases	179 962	520 191
Current Service Costs: Actuarial valuation	5 944 833	5 711 002
Interest Cost: Actuarial valuation	10 147 511	10 627 532
Interest Cost: Provision for rehabilitation	296 887	175 957
Interest Costs: Borrowings	-	118 664
Impairment of receivables	46 868 105	89 853 868
Increase/(decrease) in provision for employee costs	3 338 629	1 526 117
Increase/(decrease) in provision for landfill site	474 634	3 992 799
Other non-cash items	33 678 545	(18 142 684)
Changes in working capital:		
Inventories	(834 112)	(822 957)
Sundry Debtors	585 577	21 760 933
Receivables from non-exchange transactions	(3 461 750)	(1 814 065)
Consumer Debtors -Exchange transactions	241 442	232 747
Consumer Debtors -Non- Exchange transactions	(1 943 752)	(216 050)
Payables from exchange transactions	41 171 089	(646 481)
VAT	(2 755 558)	9 550 270
Unspent conditional grants and receipts	573 128	(9 918 026)
Consumer deposits	598 220	3 978 121
	238 917 969	41 924 652

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35. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	<u>77 889 764</u>	<u>39 261 934</u>
Total capital commitments		
Already contracted for but not provided for	<u>77 889 764</u>	<u>39 261 934</u>
Authorised operational expenditure		
Already contracted for but not provided for		
• Operational costs	<u>47 454 567</u>	<u>47 770 257</u>
Total operational commitments		
Already contracted for but not provided for	<u>47 454 567</u>	<u>47 770 257</u>
Total commitments		
Total commitments		
Authorised capital expenditure	77 889 764	39 261 934
Authorised operational expenditure	47 454 567	47 770 257
	<u>125 344 331</u>	<u>87 032 191</u>

The commitments relate to plant and equipment and other operational costs. These commitments will be financed by available retained surpluses, internally generated funds and government grants.

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36. Contingencies

Litigations are in process against the municipality relating to a dispute with defendants in the following cases, should the judgement or ruling be in favour of the defendants the municipality will have to pay the estimated damages. No provision for the below mentioned claims has been made as the municipality is confident in defending the claim.

Contingent Liabilities

Dique Jan Arnold: The plaintiff claims damages for wrongful detention by municipality's traffic officers together with SAPS officer. [Case Number: 557/12]	-	60 350
Synergy Income Fund t/a Hubyeni Shopping Centre: Claim for damages being costs to unblock the shopping centre sewerage line to be in proper order and cleaning of the shopping centre due to the sewerage spillage into the shops and municipal area. [Case Number: 24096/13]	-	279 515
SGL Engineers CC Consulting: Outstanding payment for consultancy rendered during the construction of Mutsha Road [Case Number: 721/12 MAG. LTT]	66 463	66 463
Mudavhula N.E: Unlawful arrest and defamation of character. [Case Number: 1435/10]	-	100 000
Ntsumi and Spectrum Service Level Agreements: Cancellation of contract due to non compliance of regulation 32 of the supply chain management regulations.	5 290 389	5 350 000
Getrusburg CPA: Claim for compensation for extracting water without the consent of the land owner [Case Number: 55339/2011]	27 984 000	27 984 000
Matshavha Thapelo Jeffrey: Claim for damages due to pothole on a provincial road in Levubu area. [Case Number: 226/17]	1 550 000	1 550 000
Department of Water Affairs and Sanitation: The Municipality extract water from the Middle Letaba Waterval Bulk Supply Main (Majosi) without the consent of the Department as the water authority [Case Number: 3940/16]	16 977 558	16 977 558
Antoinette Albertus Geerdts: Claim for unlawful arrest and defamation of character. [Case Number: 71357/12]	680 000	680 000
Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No: 67 of 2016. [Case Number: 2303/18]	1 493 856	1 493 856
Tshiamiso Trading: Claim for unpaid standing time invoices for Tender No:61 of 2016. [Case Number: 2628/18]	4 825 418	4 825 418
Mleya Irene: Claim against Council, injury caused by pothole [Case number: 451/18]	215 000	215 000
Musa Mkhabele: Claim for damages[Case Number: 1082/18]	32 490	-
Tshihatu Tryphinah: Claim for damages[Case Number: 01/2019]	84 613	-
Tshikhuthula Radebe Peter: Deed of Sale of ERF 1420, Dzanani Township	-	-
Valdezia Xitasini Investigation	-	-
Tshikhuthula Radebe Peter	-	-
Automotive Exports (Pty) LTD t/a BP Auto Bridge	-	-
Contour Technology (PTY) LTD	-	-
Mphephu Royal Council: Land dispute[Case Number: 635/2016]	800 000	-
	59 999 787	59 582 160

Contingent assets

Litigations is in process and the municipality is a plaintiff in the following cases, should the judgement or ruling be in favour of the municipality, the municipality will be entitled to receive the estimated value of the damages as indicated below:

Lufuno Maluleke & Her Four Companies [Case Number: 591/16 :593/16:594/16: 595/16]	-	491 300
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MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments

The comparatives have been restated to account for prior period errors. Below is a summary of the total effect that the prior period errors, changes in accounting policies and reclassifications of comparatives had on the amounts previously disclosed in the annual financial statements, followed by a description of each individual prior period error with the amounts involved.

Statement of financial position

2018

	Note(s)	As previously reported	Correction of error	Reclassification	Restated
Current Assets					
Inventories	2	117 954 379	512 000	-	118 466 379
Sundry debtors	3	599 917	-	-	599 917
Receivables from non-exchange transactions	4	13 983 283	-	-	13 983 283
Consumer debtors- Exchange transactions	5	111 818 463	(69 940 851)	-	41 877 612
Consumer debtors- Non- Exchange transactions	5	19 261 574	(140 957)	-	19 120 617
Cash and cash equivalents	6	19 026 891	-	-	19 026 891
Non-current Assets					
Investment property	7	14 814 511	2 016 133	(33 921)	16 796 723
Property, plant & equipment	8	1 645 768 078	(5 161 459)	33 921	1 640 640 540
Intangible assets	9	1 302 656	214 437	-	1 517 093
Heritage assets	10	2 160 239	89	-	2 160 328
Current Liabilities					
Finance lease obligation	12	(3 046 172)	-	-	(3 046 172)
Payables from exchange transactions	13	(142 230 779)	7 810 235	-	(134 420 544)
VAT payable	14	(36 515 981)	5 353 244	-	(31 162 737)
Consumer deposits	16	(15 930 957)	-	-	(15 930 957)
Employee benefit obligation	18	(3 817 477)	-	-	(3 817 477)
Unspent conditional grants & receipts	15	(2 900 000)	-	-	(2 900 000)
Deferred income	17	(29 062)	-	-	(29 062)
Non-current liabilities					
Finance lease obligation	12	(696 532)	-	-	(696 532)
Employee benefit obligation	18	(104 368 258)	-	-	(104 368 258)
Provisions	19	(12 561 532)	-	-	(12 561 532)
Accumulated surplus		(1 624 593 241)	59 337 129	-	(1 565 256 112)
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Statement of financial performance

MAKHADO LOCAL MUNICIPALITY

(Registration number LIM344)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

2018

	Note(s)	As previously reported	Correction of error	Reclassification	Restated
Revenue					
Service charges	20	284 716 522	-	10 012 343	294 728 865
Rental of facilities & equipment	24	7 400 236	(6 631 111)	-	769 125
Interest received- outstanding debtors	33	15 960 410	-	-	15 960 410
Licences & permits	24	8 541 044	-	-	8 541 044
Operational revenue	21	36 644 414	(159 918)	-	36 484 496
Interest received- investments	32	9 338 780	-	-	9 338 780
Property rates	22	60 193 333	-	-	60 193 333
Government grants & subsidies	23	443 008 275	-	-	443 008 275
Fines, penalties & forfeits	24	5 819 498	-	-	5 819 498
Expenditure					
Employee related costs	25	(249 835 465)	-	-	(249 835 465)
Remuneration of councillors	26	(25 306 856)	-	-	(25 306 856)
Depreciation & amortisation	27	(76 668 489)	(36 358 759)	-	(113 027 248)
Impairment of non-cash generating assets	48	(6 298 315)	-	-	(6 298 315)
Finance costs	28	(12 159 191)	-	-	(12 159 191)
Debt impairment	29	(133 905 056)	-	1 667 631	(132 237 425)
Bulk purchases	30	(159 446 808)	(43 195 087)	(10 012 343)	(212 654 238)
Contracted services	49	(227 060 453)	105 328	37 863 773	(189 091 352)
General expenses	31	(53 737 462)	-	(39 531 404)	(93 268 866)
Loss on transfer of functions		(941 665)	-	-	(941 665)
Surplus/(Loss) for the year		(73 737 248)	(86 239 547)	-	(159 976 795)

Errors

The following prior period errors adjustments occurred:

Error 1

Land stock not previously recognised.

Land stock which was not previously recognised in prior periods has been taken up as land inventory.

Financial Statement Area

Increase in land inventory(SFP)	512 000
Increase in accumulated surplus(SCE)	(512 000)
	-

Error 2

Bulk purchases erroneously included in consumer debtors.

Accounts receivable overstated due to inclusion of bulk purchase transactions.

Financial Statement Area

Increase in Bulk purchases(SCI)	43 195 087
Decrease in Consumer Debtors -Exchange transactions(SFP)	(43 195 087)
	-

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 3

Debtors with credit balances.

Customer accounts which had paid in advance in 2016/17 financial year were not subsequently reversed as accounts payable in the 2017/18 financial year.

Financial Statement Area

Decrease in Accounts payable(SFP)	7 689 108
Decrease in Consumer Debtors -Exchange transactions(SFP)	(7 689 108)
	<u>-</u>

Error 4

VAT on Land sales not charged.

Management omitted calculation of VAT on the sales transactions for land, resulting in the overstatement of the revenue from land sales during the 2017/18 financial year.

Financial Statement Area

Decrease in Land sales(SCI)	192 001
Increase in VAT output(SFP)	(192 001)
	<u>-</u>

Error 5

Accounts receivable:

During the 2017/18 financial year customer accounts per age analysis was not agreeing with the ledger accounts. The error was subsequently identified and corrected in the current year. The effect of the error is detailed below.

Financial Statement Area

Decrease in opening accumulated surplus(SCE)	11 454 963
Decrease in Consumer Debtors -Exchange transactions(SFP)	(11 314 006)
Decrease in Consumer Debtors -Non- Exchange transactions(SFP)	(140 957)
Decrease in Consumers VAT payable	5 561 045
Increase in opening accumulated surplus(SCE)	(5 561 045)
	<u>-</u>

Error 6

Retention.

In the prior financial year, retention for a certain projects was overstated. The error was subsequently discovered and corrected in the current reporting period.

Financial Statement Area

Decrease in Trade & other payables(SFP)	121 127
Decrease in Expenditure(Non-asset projects) (SCI)	(105 328)
Increase in VAT payable (SFP)	(15 799)
	<u>-</u>

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Error 7

Revenue from rental of facilities.

During the 201718 financial period, revenue from rental of facilities was overstated due to amounts that were processed erroneously in the rental of facilities segment. These amounts were identified subsequent to 201718 financial year and corrected.

Financial Statement Area

Decrease in rental of facilities(SCI)	6 631 111
Decrease in accumulated surplus(SCE)	1 143 622
Increase in Land sales(SCI)	(32 083)
Decrease in Consumer Debtors -Exchange transactions(SFP)	(7 742 650)
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Error 8

Property, plant and equipment:

During the 201718 financial period, opening accumulated depreciation was erroneously calculated resulting in the misstatement of opening NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Decrease in accumulated surplus(SCE)	36 367 776
Increase in opening accumulated depreciation-Buildings(SFP)	(441 773)
Increase in opening accumulated depreciation- Community assets(SFP)	(492 765)
Increase in opening accumulated depreciation- Infrastructure assets(SFP)	(35 383 269)
Increase in opening accumulated depreciation- Investment property (SFP)	(49 969)
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Error 9

Property, plant and equipment:

During the 201718 financial period, current year depreciation was erroneously calculated resulting in the misstatement of closing NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Increase in depreciation expense - Buildings(SCI)	432 879
Increase in depreciation expense - Community assets(SCI)	492 765
Increase in depreciation expense - Infrastructure assets(SCI)	35 383 269
Increase in depreciation expense - Investment property (SCI)	49 846
Increase in accumulated depreciation - Buildings(SFP)	(432 879)
Increase in accumulated depreciation - Community assets(SFP)	(492 765)
Increase in accumulated depreciation - Infrastructure assets(SFP)	(35 383 269)
Increase in accumulated depreciation - Investment property (SFP)	(49 846)
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Error 10

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Decrease in Opening Accumulated Surplus(SCE)	3 454 120
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MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Decrease in Accumulated Depreciation- Roads(SFP)	1 236 318
Decrease in Accumulated Depreciation- Electricity(SFP)	476 739
Decrease in Depreciation- Roads(SCI)	(1 236 318)
Decrease in Depreciation- Electricity(SCI)	(476 739)
Decrease in Infrastructure-Roads-Cost(SFP)	(2 353 846)
Decrease in Infrastructure- Electricity-Cost(SFP)	(1 100 274)
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Error 11

During the asset management exercise, it was discovered that movable asset values in the previous year were understated in the financial records. The error was subsequently corrected in the current year.

Financial Statement Area

Increase in Computer Equipment-Cost(SFP)	4 191
Increase in Furniture & Office Equipment-Cost(SFP)	27 510
Increase in Machinery & Equipment-Cost(SFP)	657 974
Increase in Opening Accumulated Surplus(SCE)	(772 266)
Increase in Transport Assets-Cost(SFP)	82 591
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Error 12

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Decrease in Accumulated Depreciation- Roads(SFP)	1 799 522
Decrease in Accumulated Depreciation- Buildings(SFP)	11 209
Decrease in Opening Accumulated Surplus(SCE)	4 288 863
Decrease in Infrastructure-Roads-Cost(SFP)	(4 173 863)
Decrease in Infrastructure-Buildings-Cost(SFP)	(115 000)
Decrease in Depreciation-Roads(SCI)	(1 799 522)
Decrease in Depreciation- Buildings(SCI)	(11 209)
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Error 13

In the previous financial year, Mscoa System Upgrade was omitted. The error was identified and corrected during asset management exercise in the current financial year.

Financial Statement Area

Increase in Intangible Assets-Cost(SFP)	484 275
Increase in Opening Accumulated Surplus(SCE)	(484 275)
Increase in Depreciation- Intangible Assets(SCI)	173 088
Increase in Accumulated Depreciation- Intangible Assets(SFP)	(173 088)
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Error 14

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Decrease in Accumulated Impairment- Roads Infrastructure(SFP)	585 561
Decrease in Accumulated Impairment- Electricity Infrastructure(SFP)	2 386 228
Decrease in Impairment expense-Roads Infrastructure(SCI)	(585 561)
Decrease in Impairment expense-Electricity Infrastructure(SCI)	(2 386 228)
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Error 15

During the asset management exercise, management identified and corrected an error relating to certain buildings that were disposed of but that were still in the accounting records of the municipality. Comparative amounts have been restated accordingly.

Financial Statement Area

Decrease in Opening Accumulated Surplus(SCE)	383 670
Decrease in Buildings(SFP)	(383 670)
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Error 16

During the physical verification of assets; management identified certain assets that do not belong to Makhado Local Municipality. These assets belong to Collins Chabane Local Municipality.

Financial Statement Area

Increase in Depreciation-Roads Infrastructure(SCI)	339 486
Increase in Depreciation-Electricity- Infrastructure(SCI)	85 584
Increase in Accumulated Depreciation-Roads Infrastructure(SFP)	(339 486)
Increase in Accumulated Depreciation-Electricity- Infrastructure(SFP)	(85 584)
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Error 17

During the 2017/18 financial period, opening accumulated depreciation was erroneously calculated resulting in the misstatement of opening NBV of various asset classes. The error was subsequently identified and corrected during the current financial year.

Financial Statement Area

Decrease in Accumulated Depreciation-Buildings(SFP)	7 538 029
Decrease in Accumulated Depreciation-Community Assets(SFP)	3 587 519
Decrease in Accumulated Depreciation-Infrastructure Assets(SFP)	28 742 284
Decrease in Accumulated Depreciation-Investment Property(SFP)	1 984 122
Decrease in Depreciation-Buildings(SFP)	(7 538 029)
Decrease in Depreciation-Community Assets(SFP)	(3 587 519)
Decrease in Depreciation-Infrastructure Assets(SFP)	(28 742 284)
Decrease in Depreciation-Investment Property(SFP)	(1 984 122)
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Error 18

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new asset register. The below adjustments were made to align the asset register with the system.

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Increase in Depreciation- Machinery & Equipment(SCI)	243 110
Increase in Accumulated Depreciation- Machinery & Equipment(SFP)	(243 110)
Decrease in Accumulated Depreciation- Computer Equipment(SFP)	385 810
Decrease in Depreciation- Computer Equipment(SCI)	(385 810)
Decrease in Accumulated Depreciation- Furniture & Office Equipment(SFP)	96 407
Decrease in Depreciation- Furniture & Office Equipment(SCI)	(96 407)
Increase in Depreciation- Transport Assets(SCI)	13 764
Increase in Accumulated Depreciation- Transport Assets(SFP)	(13 764)
Decrease in Accumulated Depreciation- Library Books(SFP)	2 536
Decrease in Depreciation- Library Books(SCI)	(2 536)
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Error 19

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Depreciation-Electricity(SCI)	716
Increase in Depreciation-Buildings(SCI)	8 598
Increase in Depreciation-Community Assets(SCI)	897 727
Increase in Depreciation-Investment property(SCI)	35 023
Decrease in Accumulated depreciation-Roads(SFP)	13 635
Decrease in Depreciation-Roads(SCI)	(13 635)
Increase in Accumulated depreciation-Electricity(SFP)	(716)
Increase in Accumulated Depreciation-Buildings(SFP)	(8 598)
Increase in Accumulated Depreciation-Community Assets(SFP)	(892 691)
Increase in Accumulated Depreciation-Community Assets(SFP)	(5 036)
Increase in Accumulated Depreciation-Buildings(SFP)	(35 023)
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Error 20

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

Financial Statement Area

Increase in Furniture & Office Equipment(Cost)[SFP]	12 716
Increase in Machinery & Equipment(Cost)[SFP]	90 535
Decrease in Opening Accumulated Surplus(SCE)	103 252
Decrease in Computer Equipment(Cost)[SFP]	(9 242)
Decrease in Transport Assets(Cost)[SFP]	(94 010)
Increase in Opening Accumulated Surplus(SCE)	(103 251)
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Error 21

Prior year property, plant and equipment balances had misstatements which were pervasive. There were differences between the asset register and the ledger. The Asset Management exercise was performed to come up with new assetregister. The below adjustments were made to align the asset register with the system.

MAKHADO LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Decrease in Accumulated Depreciation-Machinery & Equipment(SFP)	83 959
Increase in Depreciation-Computer Equipment(SCI)	4 549
Increase in Depreciation-Furniture & Equipment(SCI)	8
Increase in Depreciation-Transport Assets(SCI)	79 402
Increase in Accumulated Depreciation-Computer Equipment(SFP)	(4 549)
Increase in Accumulated Depreciation-Furniture & Equipment(SFP)	(8)
Increase in Accumulated Depreciation-Transport Assets(SFP)	(79 402)
Decrease in Depreciation-Machinery & Equipment(SCI)	(83 959)
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Error 22

Prior year property, plant and equipment balances had misstatements which needed to be corrected. The Asset Management exercise was performed to ensure that the asset register is accurate and complete. The below adjustments were made to reconcile the asset register and the ledger.

Financial Statement Area

Increase in Opening accumulated surplus(SCE)	(41 710 609)
Increase in Infrastructure assets-Cost (SFP)	40 667 144
Increase in Community assets-Cost (SFP)	1 043 465
Increase in Depreciation-Infrastructure assets (SCI)	49 343 863
Increase in Accumulated Depreciation- Infrastructure assets (SFP)	(49 343 863)
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Error 23

Prior year property, plant and equipment balances had misstatements which needed to be corrected. The Asset Management exercise was performed to ensure that the asset register is accurate and complete. The below adjustments were made to reconcile the asset register and the ledger.

Financial Statement Area

Increase in Accumulated depreciation- Buildings(SFP)	(2 849 919)
Increase in depreciation- Buildings(SCI)	2 849 919
Increase in Community assets-Cost (SFP)	1 003 174
Increase in Infrastructure assets-Cost (SFP)	39 097 022
Increase in Opening accumulated surplus(SCE)	(40 100 196)
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Reclassifications

The following reclassifications were made in terms of GRAP in the previous financial year:

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Notes to the Annual Financial Statements

37. Prior-year adjustments (continued)

Financial Statement Area

Increase in Bulk purchases(SCI)	10 012 343
Decrease in Municipal service costs(SCI)	(10 012 343)
Increase in Bad debts written off (SCI)	915 292
Decrease in Provision for bad debts (SCI)	(915 292)
Increase in Landfill site provision(SCI)	1 581 846
Decrease in Provision for bad debts (SCI)	(1 581 846)
Increase in Provision for bad debts (SCI)	829 506
Decrease in Landfill site provision(SCI)	(829 506)
Increase in General expenses[Consumables](SCI)	37 863 773
Decrease in Contracted Services(SCI)	(37 863 773)
Increase in Land Cost of sales(SCI)	50 000
Decrease in Consumables(SCI)	(50 000)
Increase in Community Assets-Cost(SFP)	230 130
Increase in Infrastructure Assets-Cost(SFP)	209 717
Decrease in Investment Property-Cost(SFP)	(33 921)
Decrease in Building Assets-Cost(SFP)	(405 926)
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Disclosures

The following Annual Financial Statements disclosures were incorrectly disclosed in the previous financial year and subsequently corrected in the current financial period:

Remuneration of Section 57 Managers:

- **Remuneration of Municipal Manager:** Car allowance of R161 226 was incorrectly disclosed as Backpay in the previous financial year. The error has since been corrected in the current year.
- **Remuneration of Chief Financial Officer:** Acting allowance of R48 958 was not disclosed in the previous financial year. The error has since been corrected in the current financial year.
- **Remuneration of Director Technical Services:** Acting allowance of R8 104 was not disclosed in the previous financial year. The error has since been corrected in the current financial year.

38. Risk management

General Objectives, Policies and Processes

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

Council has the overall responsibility for the determination of the municipality's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Accounting Officer. The Accounting Officer receives regular reports from the Directors through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The municipality's internal auditors also review the risk management policies and processes and report their findings to the Audit Committee. The overall objective of Council is to set policies that seek to reduce risks as far as possible without unduly affecting the Municipality's competitiveness and flexibility.

MAKHADO LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

38. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient investment in cash to ensure that funding is available to settle liabilities as they become available.

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

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

The table below analyses the municipality's financial liabilities and financial assets into relevant maturity groupings based on the remaining period at the statement of financial position.

There have been no changes in liquidity risk exposure by the municipality from previous year.

At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liability	(513 414)	-	(183 118)
Payables from exchange transactions	(173 919 866)	-	-
Consumer deposits	(16 529 177)	-	-
Employee benefit obligation	(4 203 547)	-	(102 559 445)
Deferred Income	(105 741)	-	-
Receivables from non-exchange transactions	17 445 033	-	-
Consumer Debtors-Exchange transactions	41 636 170	-	-
Consumer Debtors-Non-exchange transactions	21 326 491	-	-
Sundry Debtors	122 189	-	-
Cash and cash equivalents	91 835 178	-	-
At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Finance lease liability	(3 046 172)	-	(696 532)
Payables from exchange transactions	(134 420 544)	-	-
Consumer deposits	(15 930 957)	-	-
Employee benefit obligation	(3 817 477)	-	(104 368 258)
Deferred Income	(29 062)	-	-
Receivables from non-exchange transactions	13 983 283	-	-
Consumer Debtors-Exchange transactions	41 877 612	-	-
Consumer Debtors-Non-exchange transactions	19 120 617	-	-
Sundry Debtors	599 916	-	-
Cash and cash equivalents	19 026 891	-	-

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Notes to the Annual Financial Statements

38. Risk management (continued)

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.

This risk arises due to changes in the financial circumstances of the counter party and other factors subsequent to the municipality obtaining the financial asset.

Sundry debtors, receivables from non-exchange transactions, consumer debtors and consumer deposits comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

There have been no material change in credit risk exposure by the municipality from the previous year.

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

Financial instrument	2019	2018
Sundry Debtors	122 189	599 916
Receivables from non-exchange transactions	17 445 033	13 983 283
Consumer debtors -exchange transactions	41 636 170	41 877 612
Consumer debtors -Non-exchange transactions	21 326 491	19 120 617
Cash and cash equivalents	91 835 178	19 026 891

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality charge the interest rate of 15% on the outstanding customer accounts.

For quantitative information on cash flow interest rate risk refer to liquidity risk above.

39. Fruitless and wasteful expenditure

Opening balance	4 989	2 158
Add: Fruitless and wasteful expenditure - current year	67 368	606 305
Less: Amounts written off by council	(67 368)	(603 474)
	<u>4 989</u>	<u>4 989</u>

MAKHADO LOCAL MUNICIPALITY

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Notes to the Annual Financial Statements

40. Additional disclosure in terms of Municipal Finance Management Act

Subscription fees

Subscriptions and membership fees	2 948 491	3 052 872
Amount paid - current year	(2 948 491)	(3 052 872)
	<u>-</u>	<u>-</u>

Distribution Losses

Kilowatts Hours

Units Purchased	236 709 846	236 275 148
Units Sold	(201 742 559)	(214 058 896)
	<u>34 967 287</u>	<u>22 216 252</u>

Rand Values

Electricity	<u>39 970 411</u>	<u>20 661 114</u>
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Distribution losses for electricity relates to unaccounted for electricity. This mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. During the year 34 967 287 (2018: 22 216 252) kilowatts per hour were lost. This represented 14.49% (2018: 9.40%) of the electricity purchases for the year, which has been included in bulk purchases. An average price per kilowatt hour of R1.143 (2018: R0,93) was used.

Audit fees

Current year fees	5 882 305	6 284 338
Amount paid - current year	(5 882 305)	(6 284 338)
	<u>-</u>	<u>-</u>

PAYE and UIF

Current year amount - Employer	1 100 374	1 058 861
Current year amount - Employees	39 575 679	40 407 273
Amount paid - current year	(40 676 053)	(41 466 134)
	<u>-</u>	<u>-</u>

Pension and Medical Aid Deductions

Current year amount - Employer	45 577 257	46 669 707
Current year amount - Employees	23 916 481	22 188 050
Amount paid - current year	(69 493 738)	(68 857 757)
	<u>-</u>	<u>-</u>

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

Councillors' arrear consumer accounts

The following councillors had arrear accounts outstanding as at 30 June 2019:

30 June 2019	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	313	4 351	4 664
Babadu T.M	958	-	958
Jones NB	72	1 294	1 366
Mahlaule TD	1 670	20 566	22 236
Matumba A	236	1 943	2 179
Matumba A	381	6 336	6 717
Matumba A	709	7 697	8 406
Simangwe NJ	1 178	2 069	3 247
	5 517	44 256	49 773

30 June 2018	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Babadu T.M	278	3 172	3 450
Jones NB	55	1 038	1 093
Matumba A	204	1 067	1 271
Matumba A	584	4 651	5 235
Matumba A	718	4 971	5 689
Simangwe NJ	735	3 745	4 480
	2 574	18 644	21 218

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

30 June 2019	Highest outstanding amount	Aging (in days)
Babadu T.M	4 351	90
Jones NB	1 294	90
Mahlaule TD	20 566	90
Matumba A	1 943	90
Matumba A	6 336	90
Matumba A	7 697	90
Simangwe NJ	2 069	90
	44 256	630

30 June 2018	Highest outstanding amount	Aging (in days)
Babadu T.M	3 172	90
Jones NB	1 038	90
Matumba A	1 067	90
Matumba A	4 651	90
Matumba A	4 971	90
Simangwe NJ	3 745	90
	18 644	540

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41. Events after the reporting date

The following material matters or circumstances occurred subsequent to balance sheet date.

Litigation between Makhado Municipality Vs Maluleke Lufuno & Shumani Pathani.

- During the period 2012-2013 the municipality made payments amounting to R707 160 to Abnar Trading, Limel Trading, Rurhoo (PTY) LTD, Athikundwi Trading and Projects, owned by Lufuno Maluleke, and Shumani Pathani General Dealer, owned by Mr Netshifhefhe. Subsequent to financial year ended 30 June 2019 but before the authorisation of the financial statements for issue, the court ordered the defendants to pay the municipality an amount of R107 850 as full and final settlement payable in monthly instalment of R1,500.
- Thus the carrying amount of the accounts receivables have been adjusted in the financial statements for the year ended 30 June 2019.

42. Irregular expenditure

Opening balance	3 171 685	10 178 074
Add: Prior year irregular expenditure identified in the current year	-	2 353 625
Add: Irregular expenditure - current year	14 204 502	31 158 043
Less: Written-off by Council	(16 709 888)	(40 518 057)
	666 299	3 171 685

43. Unauthorised expenditure

Opening balance	199 230 626	34 901 850
Add: Unauthorised expenditure - current year	84 406 344	164 328 776
Less: Written-off by Council	(199 230 626)	-
	84 406 344	199 230 626

44. Deviation from supply chain management regulations

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

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

The following is 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.

Quotation deviations for the 2018/2019 financial year in terms of the Supply Chain Management Regulations amounted to R 3 600 746.

Quarter	Amount
Quarter 1	735 095
Quarter 2	641 363
Quarter 3	1 210 207
Quarter 4	1 014 081
	3 600 746

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45. Detailed explanation of variances between actual and budgeted amounts 30 June 2019

Financial Statement Area	Approved Budget	Current year actuals	Variance	% variance	Explanations of material unfavourable variances above 10%
Property rates	66 885 000	73 345 242	6 460 242	9 %	
Service charges	339 414 000	345 005 666	5 591 666	2 %	
Government grants and subsidies	426 118 000	426 916 377	798 377	- %	
Rental of facilities and equipments	329 000	834 870	505 870	100 %	
Interest received-outstanding receivables	19 391 000	19 777 159	386 159	2 %	
Licences and permits	13 233 000	7 423 893	(5 809 107)	-43 %	Licencing income collected was less than budgeted amount due to several outlets opened for paying licences other than Makhado Municipality.
Operational revenue	80 803 000	26 018 734	(54 784 266)	(66)%	This is mainly ad hoc cash receipts for various items. The budgeted amount was not achieved.
Interest earned-external investment	51 000	6 060 972	6 009 972	100 %	
Fines, Penalties and Forfeits	1 757 000	7 742 040	5 985 040	100 %	
Total revenue	947 981 000	913 124 953	(34 856 047)		
Employee related costs	255 492 000	255 156 547	(335 453)	- %	
Remuneration of councillors	27 775 000	26 316 164	(1 458 836)	(5)%	
Depreciation	96 435 715	116 404 835	19 969 120	21 %	The budgeted amount was the best management estimate during the budgeting process. However, actual depreciation was over the budget.
Finance costs	13 154 000	10 691 728	(2 462 272)	(19)%	
Debt impairment	48 262 160	46 868 105	(1 394 055)	(3)%	
Bulk purchases	236 639 000	235 312 620	(1 326 380)	(1)%	
Contracted Services	88 945 124	138 186 937	49 241 813	55 %	The actual amount is more than budgeted amount due to RAL projects(Non-assets projects) which were expensed in the income statement despite being budgeted under Capex.
General expenses	72 540 000	69 922 175	(2 617 825)	(4)%	
Total expenditure	839 243 000	898 859 111	59 616 112	- %	

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46. Related parties

Makhado Local Municipality, is a category B municipality which in terms of the Constitution of South Africa, section 155 (1) (b) means, "A Municipality that shares executive and legislative authority in its area with a category C municipality within whose area it falls. "Vhembe District Municipality".

Council does not have any associates nor any joint ventures or any other form of association that may be defined as related parties.

Relationships

Members of key management

Refer to note 25

Remuneration of councillors

Refer to note 26

47. Going concern

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

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

48. Impairment of non cash generating assets

Property, plant and equipment	15 130 772	6 176 444
Investment property	64 640	-
	15 195 412	6 176 444

49. Contracted services

Outsourced Services

Business and Advisory	8 825 274	18 853 647
Cleaning Services	978 000	870 440
Internal Auditors	6 226 605	736 581
Meter Management	1 840 980	2 322 764
Medical Services [Medical Health Services & Support	1 128 547	1 158 239
Security Services	16 020 113	15 728 555

Consultants and Professional Services

Business and Advisory	27 048 368	26 743 434
Infrastructure and Planning	-	5 110 265
Legal Cost	9 837 303	7 325 830

Contractors

Employee Wellness	4 374 627	3 191 082
Maintenance of Buildings and Facilities	385 209	1 832 313
Maintenance of Equipment	4 826 392	8 114 671
Maintenance of Unspecified Assets	56 695 519	97 103 531
	138 186 937	189 091 352

50. Key Assumptions and Estimates Used

The key assumptions and estimates used are as follows: (1) Long Service Award: A number of valuation variables were used. Should these valuation assumptions be different from the actual variables, the provision for Long Service Award may be different from the one disclosed. (2) Post Retirement Medical Aid Benefit Obligation: By its nature, estimating the Post Retirement Medical Aid Benefit requires use of estimates and significant judgement. This was the case in the computation of the relevant obligation.

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Land and buildings														
Developed land	214 866 951	-	-	-	-	(1 260 000)	213 606 951	-	-	-	-	-	-	213 606 951
Undeveloped land	23 186 881	-	-	-	-	-	23 186 881	-	-	-	-	-	-	23 186 881
Dwellings	17 846 547	-	-	-	-	(17 010 021)	836 526	(4 074 818)	-	(575 548)	4 534 251	-	(116 115)	720 411
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	35 969 872	-	-	373 082	-	(276 749)	36 066 205	(12 826 257)	-	(1 278 898)	106 923	(1 312 124)	(15 310 356)	20 755 849
	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	-	(1 854 446)	4 641 174	(1 312 124)	(15 426 471)	258 270 092
Infrastructure														
Electricity	1 001 098 285	-	-	19 293 471	-	(11 089 527)	1 009 302 229	(508 738 124)	-	(45 830 902)	9 969 632	(1 727 554)	(546 326 948)	462 975 281
Roads	1 125 256 682	-	-	50 866 017	-	(100 867)	1 176 021 832	(388 923 873)	-	(55 906 890)	52 917	(16 527 631)	(461 305 477)	714 716 355
Solid waste disposal	25 016 312	-	-	-	-	-	25 016 312	(7 211 838)	-	(1 017 396)	-	-	(8 229 234)	16 787 078
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 151 371 279	-	-	70 159 488	-	(11 190 394)	2 210 340 373	(904 873 835)	-	(102 755 188)	10 022 549	(18 255 185)	1 015 861 659	1 194 478 714
Other														
Machinery and equipment	30 551 833	-	-	7 795 588	-	(3 361 301)	34 986 120	(21 675 762)	-	(2 444 588)	2 861 624	(601 894)	(21 860 620)	13 125 500
Furniture and office equipment	12 868 975	-	-	373 885	-	(396 260)	12 846 600	(7 322 197)	-	(900 721)	290 217	(397 298)	(8 329 999)	4 516 601
Computer equipment	5 748 310	-	-	1 038 552	-	(236 854)	6 550 008	(3 764 925)	-	(638 762)	215 616	(99 007)	(4 287 078)	2 262 930
Transport assets	47 928 233	-	-	11 238 725	-	(20 394 651)	38 772 307	(37 627 165)	-	(2 328 094)	3 733 124	(23 043)	(36 245 178)	1 771 020
Library books	2 422 039	-	-	289	-	-	2 422 328	(1 687 242)	-	(191 620)	-	(319)	(1 879 181)	543 147
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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Appendix B

Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
99 519 390	-	-	20 447 039	-	(24 389 066)	95 577 363	(72 077 291)	-	(6 503 785)	7 100 581	(1 121 561)	(72 602 056)	22 219 198

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Analysis of property, plant and equipment as at 30 June 2019
Cost/Revaluation **Accumulated depreciation**

	Opening Balance	Correction of prior year error	Reclassification	Additions	Under Construction 2016	Disposals	Closing Balance	Opening balance	Correction of prior year error	Additions	Disposals	Impairment	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total property plant and equipment														
Land and buildings	291 870 251	-	-	373 082	-	(18 546 770)	273 696 563	(16 901 075)	-	(1 854 446)	4 641 174	(1 312 124)	(15 426 471)	258 270 092
Infrastructure	2 151 371 279	-	-	70 159 488	-	(11 190 394)	2 210 340 373	(904 873 835)	-	(102 755 188)	10 022 549	(18 255 185)	1 015 861 659	1 194 478 714
Other	99 519 390	-	-	20 447 039	-	(24 389 066)	95 577 363	(72 077 291)	-	(6 503 785)	7 100 581	(1 121 561)	(72 602 056)	22 219 198
Work In Progress	40 393 552	-	-	71 699 290	(70 534 168)	-	41 558 674	-	-	-	-	-	-	41 558 674
Community assets	76 844 480	-	-	-	-	-	76 844 480	(19 329 765)	-	(2 787 555)	-	(398 650)	(22 515 970)	54 328 510
	2 659 998 952	-	-	162 678 899	(70 534 168)	(54 126 230)	2 698 017 453	1 013 181 966	-	(113 900 974)	21 764 304	(21 087 520)	1 126 406 156	1 570 855 188
Investment properties														
Developed land	4 297 250	-	-	-	-	-	4 297 250	-	-	-	-	-	-	4 297 250
Dwellings	6 372 121	-	-	-	-	-	6 372 121	(1 367 514)	-	(180 761)	-	(64 639)	(1 612 914)	4 759 207
Non residential structures	8 107 645	-	-	-	-	-	8 107 645	(612 780)	-	(204 260)	-	-	(817 040)	7 290 605
	18 777 016	-	-	-	-	-	18 777 016	(1 980 294)	-	(385 021)	-	(64 639)	(2 429 954)	16 347 062
Intangible assets														
Intangible Assets	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	5 204 402	-	-	807 180	-	-	6 011 582	(3 687 309)	-	(547 685)	-	-	(4 234 994)	1 776 588
Heritage assets														
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total														

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Developed land	214 866 951	-	-	-	-	-	214 866 951	-	-	-	-	-	-	214 866 951
Undeveloped land	23 186 881	-	-	-	-	-	23 186 881	-	-	-	-	-	-	23 186 881
Dwellings	17 846 547	-	-	-	-	-	17 846 547	(8 887 803)	5 388 533	(575 548)	-	-	(4 074 818)	13 771 729
Landfill site	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non residential structures	34 739 855	(498 670)	-	1 849 756	-	(121 069)	35 969 872	(13 835 069)	2 213 188	(1 278 280)	73 904	-	(11 731 602)	23 143 614
	290 640 234	(498 670)	-	1 849 756	-	(121 069)	291 870 251	(22 722 872)	7 601 721	(1 853 828)	73 904	-	(15 806 420)	274 969 175
Infrastructure														
Electricity	994 275 156	(1 100 273)	-	7 923 403	-	-	1 001 098 286	(440 654 324)	(22 320 457)	(45 763 343)	-	(1 121 987)	(509 835 141)	491 263 145
Roads	1 104 087 261	(6 527 709)	-	27 697 130	-	-	1 125 256 682	(383 952 017)	50 933 784	(55 905 641)	-	(4 801 878)	(386 762 078)	738 494 604
Solid waste disposal	10 535 120	-	-	14 481 191	-	-	25 016 311	(9 651 926)	3 456 393	(1 016 305)	-	-	(7 211 838)	17 804 473
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 108 897 537	(7 627 982)	-	50 101 724	-	-	2 151 371 279	(834 258 267)	32 069 720	(102 685 289)	-	-	(903 809 057)	1 247 562 222
Other														
Machinery and equipment	31 314 710	657 974	-	408 187	-	(1 829 037)	30 551 834	(20 475 707)	(243 109)	(2 727 270)	1 770 323	(136 436)	(20 978 869)	9 572 965
Furniture and office equipment	12 087 737	27 509	-	1 719 283	-	(965 555)	12 868 974	(7 120 795)	96 407	(1 256 212)	958 403	(98 899)	(6 956 227)	5 912 747
Computer equipment	8 197 662	4 191	-	291 347	-	(2 744 890)	5 748 310	(6 152 571)	385 810	(742 159)	2 743 994	(12 070)	(3 589 693)	2 158 617
Transport assets	47 015 370	82 591	-	1 259 744	-	(429 472)	47 928 233	(32 658 804)	(13 763)	(5 384 068)	429 472	(677)	(37 305 978)	10 622 255
Library books	2 320 584	-	-	-	-	(8 280)	2 312 304	(1 511 133)	2 535	(186 490)	7 845	(300)	(1 687 543)	624 761
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	100 936 063	772 265	-	3 678 561	-	(5 977 234)	99 409 655	(67 919 010)	227 880	(10 296 199)	5 910 037	(248 382)	(70 518 310)	28 891 345

MAKHADO LOCAL MUNICIPALITY
Appendix B

Analysis of property, plant and equipment as at 30 June 2018
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Correction of errors Rand	Reclassification on Rand	Additions Rand	Transfer to LIM 345 Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Correction of errors Rand	Additions Rand	Disposals Rand	Impairment Rand	Closing Balance Rand	Carrying value Rand
Infrastructure	2 108 897 537	(7 627 982)	-	50 101 724	-	-	2 151 371 279	(834 258 267)	32 069 720	(102 685 289)	-	-	(903 809 057)	-
Other	100 936 063	772 265	-	3 678 561	-	(5 977 234)	99 409 655	-	227 880	-	5 910 037	(248 382)	-	-
Work In Progress	47 675 616	-	-	51 826 436	(59 108 500)	-	40 393 552	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Community assets	65 329 389	-	-	11 515 091	-	-	76 844 480	(19 967 121)	3 277 750	(2 640 390)	-	(4 195)	(18 533 486)	57 510 520
Investment properties	18 777 016	-	-	-	-	-	18 777 016	(3 575 688)	1 980 415	(385 021)	-	-	(1 980 294)	16 796 722
Intangible assets	4 117 243	484 275	-	602 884	-	-	5 204 402	(3 080 880)	(173 087)	(433 340)	-	-	(3 687 307)	1 517 095
Heritage assets	2 160 328	-	-	-	-	-	2 160 328	-	-	-	-	-	-	2 160 328
	2 638 533 426	(6 870 112)	-	119 574 452	(59 108 500)	(6 098 303)	2 686 030 963	(883 604 828)	44 984 399	(107 997 868)	5 983 941	(252 577)	(943 816 564)	352 953 840