



Mangaung Metropolitan Municipality
Annual Financial Statements
for the year ended 30 June 2019

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Municipality
Nature of business and principal activities	Providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area
Grading of local authority	Metropolitan
Executive mayor	SM Mlamleli
Deputy Executive Mayor	LA Masoetsa
Speaker	MA Siyonzana
Mayoral committee	VE Jonas MM Mahase NP Monyakoana NA Morake J Nothnagel M Nkhabu XD Pongolo G Thipenyane LM Titi-Odili
Accounting Officer	Adv TB Mea
Chief Finance Officer (CFO)	S Mofokeng
Registered office	Bram Fischer Building Cnr Nelson Mandela Drive and Markgraaff Street Bloemfontein 9301
Postal address	PO Box 3704 Bloemfontein 9301
Bankers	Nedbank ABSA Development Bank of South Africa First National Bank Standard Bank
Auditors	Auditor General of South Africa
Enabling legislation	Municipal Finance Management Act, (Act 56 of 2003) Municipal Systems Act, (Act 32 of 2000) Municipal Structures Act, (Act 117 of 1998) Municipal Property Rates Act, (Act 3 of 2017) Division of Revenue Act (Act 1 of 2018) Municipal Demarcation Act, (Act 27 of 1998)

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Abbreviations

1. Abbreviations used within the annual financial statements

ACT	Actual
BAL	Balance
COID	Compensation for Occupational Injuries and Diseases
CPI	Consumer Price Index
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
FV	Fair Value
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IPSAS	International Public Sector Accounting Standards
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
MSCOA	Municipal Standard Chart of Accounts
PAYE	Pay As You Earn
PPE	Property, Plant and Equipment
SALGA	South African Local Government Association
SARS	South African Revenue Service
SOC	State Owned Company
UIF	Unemployment Insurance Fund
VAR	Variance
VAT	Value Added Tax
WIP	Work-in-Progress

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 entity 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, unless included in note 2, 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 entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is responsible for the preparation of these annual financial statements in terms of Section 126(1) of the Municipal Finance Management Act, (Act 56 of 2003), and has signed on behalf of the entity.

The accounting officer certifies that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 42 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, (Act 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

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 entity'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 entity has or has access to adequate resources to continue in operational existence for the foreseeable future. Details regarding assumptions have been included in note 59.

Although the accounting officer is primarily responsible for the financial affairs of the entity, he is supported by the entity's external auditors to express an independent opinion on the fair presentation of the annual financial statements.

The external auditors are responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 6 to 113, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed:

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 entity is engaged in providing municipal services and maintaining the best interest of the local community, mainly in the Mangaung area and operates principally in South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in my opinion require any further comment.

Net deficit of the entity was R 303,603,400 (2018: surplus R 395,362,361).

2. Going concern

I draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus of R 12,523,216,902 and that the entity's total assets exceed its liabilities by R 13,479,588,495.

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. Refer to note 59 for further details.

The entity still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act, (Act 16 of 2019).

3. Accounting Officer's interest in contracts

None.

4. Accounting policies

The annual financial statements have been prepared in accordance with the South African Statements of Generally Recognised Accounting Practice (GRAP), including any interpretations of such Statements issued by the Accounting Standards Board, and in accordance with section 122(3) of the Municipal Finance Management Act, (Act No. 56 of 2003). The accounting policies are presented on pages 13 to 44, and unless indicated in note 2 are consistent with the prior year.

5. Accounting officer

The accounting officer of the entity during the year and to the date of this report is as follows:

Name	Nationality
Adv TB Mea	South African

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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	3	531,152,166	434,308,455
Consumer receivables from non-exchange transactions	4	685,067,543	540,840,543
Consumer receivables from exchange transactions	5	805,625,284	738,551,384
Other receivables from non-exchange transactions	6	606,414	2,765,266
Other receivables from exchange transactions	7	60,119,025	72,285,420
VAT receivable	8	84,052,779	63,269,539
Centlec intercompany loan	9	507,497,129	562,130,358
Current portion of Centlec receivable	10	274,566,798	6,697,009
Cash and cash equivalents	11	114,430,316	154,433,923
		3,063,117,454	2,575,281,897
Non-Current Assets			
Investment property	12	1,570,113,653	1,566,340,435
Property, plant and equipment	13	12,531,522,709	12,629,455,494
Intangible assets	14	6,456,679	7,217,750
Heritage assets	15	279,968,687	279,968,687
Investments in controlled entities	16	100	100
Centlec receivables	10	871,310,024	1,145,876,823
Non-current receivables	17	155,558	238,327
		15,259,527,410	15,629,097,616
Total Assets		18,322,644,864	18,204,379,513
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	1,201,170,428	1,039,201,681
Payables from non-exchange transactions	19	286,291,274	263,546,889
Consumer deposits	20	33,349,144	33,940,745
Unspent conditional grants and receipts	21	459,078,487	329,735,327
Current portion of Finance lease obligation	22	28,654,747	15,991,309
Current portion of Borrowings	23	158,581,540	147,615,980
Current portion of Provisions	24	457,873,356	370,479,935
		2,624,998,976	2,200,511,866
Non-Current Liabilities			
Finance lease obligation	22	41,660,603	28,881,408
Borrowings	23	868,583,041	976,664,271
Provisions	24	178,043,636	178,043,636
Employee benefit obligation	25	538,815,163	500,661,035
FRESHCO liability	26	191,903,926	206,031,823
Land availability liability	27	399,051,024	330,659,969
		2,218,057,393	2,220,942,142
Total Liabilities		4,843,056,369	4,421,454,008
Net Assets		13,479,588,495	13,782,925,505
Reserves			
Revaluation reserve	28	925,449,343	948,965,140
Self insurance reserve	29	10,000,000	5,000,000
COVID reserve	30	20,922,250	16,690,714
Accumulated surplus		12,523,216,902	12,812,269,651
Total Net Assets		13,479,588,495	13,782,925,505

* See Note 56

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Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	32	1,242,813,818	1,115,247,720
Rental of facilities and equipment	33	45,993,141	44,942,965
Other income from exchange transactions	34	71,053,745	68,719,965
Interest received from exchange transactions	35	433,355,318	350,174,784
Gain on derecognition of assets		1,000	18,273,426
Fair value adjustments	36	3,777,387	-
Actuarial gains		7,445,760	419,076,965
Dividends received	35	1,420	4,087
Total revenue from exchange transactions		1,804,441,589	2,016,439,912
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	1,209,977,460	1,158,216,167
Transfer revenue			
Government grants & subsidies	38	1,871,199,842	1,864,149,574
Public contributions and donations	39	1,397,194	277,659,145
Fines, penalties and forfeits	40	58,210,022	5,668,375
Interest received from non-exchange transactions	35	69,751,900	41,774,948
Total revenue from non-exchange transactions		3,210,536,418	3,347,468,209
Total revenue	31	5,014,978,007	5,363,908,121
Expenditure			
Employee related costs	41	(1,696,941,961)	(1,550,458,230)
Remuneration of councillors	42	(64,434,209)	(62,271,387)
Depreciation and amortisation	43	(820,558,449)	(744,265,830)
Impairment loss/ Reversal of impairments	44	(933,592)	(48,258,754)
Finance costs	45	(167,087,651)	(211,621,184)
Debt impairment and bad debt written off	46	(818,545,762)	(473,692,321)
Bulk purchases	47	(854,446,680)	(492,093,365)
Contracted services	48	(538,655,093)	(846,479,268)
Grants and subsidies paid	49	(22,109,800)	(24,468,967)
Fair value adjustments	36	-	(18,066,225)
Loss on derecognition of assets		(13,634,110)	(54,442,935)
General expenses	50	(321,234,100)	(442,427,294)
Total expenditure		(5,318,581,407)	(4,968,545,760)
(Deficit) surplus for the year		(303,603,400)	395,362,361

* See Note 56

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	977,653,170	5,000,000	14,482,139	997,135,309	12,406,358,914	13,403,494,223
Adjustments						
Prior year adjustments	-	-	-	-	(17,287,339)	(17,287,339)
Balance at 01 July 2017 as restated*	977,653,170	5,000,000	14,482,139	997,135,309	12,389,071,575	13,386,206,884
Changes in net assets						
Surplus for the year	-	-	-	-	395,362,361	395,362,361
Revaluation of assets	289,355	-	-	289,355	-	289,355
Realisation of revaluation reserve	(30,333,645)	-	-	(30,333,645)	30,044,290	(289,355)
Revaluation of assets	1,356,260	-	-	1,356,260	-	1,356,260
Contributions received	-	160,822	3,643,518	3,804,340	(3,804,340)	-
Insurance claims processed	-	(160,822)	(1,434,943)	(1,595,765)	1,595,765	-
Total changes	(28,688,030)	-	2,208,575	(26,479,455)	423,198,076	396,718,621
Opening balance as previously reported	948,965,140	5,000,000	16,690,714	970,655,854	12,858,826,934	13,829,482,788
Adjustments						
Prior year adjustments	-	-	-	-	(46,557,284)	(46,557,284)
Balance at 01 July 2018 as restated*	948,965,140	5,000,000	16,690,714	970,655,854	12,812,269,650	13,782,925,504
Changes in net assets						
Surplus for the year	-	-	-	-	(303,603,400)	(303,603,400)
Revaluation of assets	289,355	-	-	289,355	-	289,355
Realisation of the revaluation reserve through depreciation	(23,782,188)	-	-	(23,782,188)	23,782,188	-
Realisation of the revaluation reserve through disposal	(22,964)	-	-	(22,964)	-	(22,964)
Contributions received	-	5,094,475	5,450,081	10,544,556	(10,544,556)	-
Insurance claims processed	-	(94,475)	(1,218,545)	(1,313,020)	1,313,020	-
Total changes	(23,515,797)	5,000,000	4,231,536	(14,284,261)	(289,052,748)	(303,337,009)
Balance at 30 June 2019	925,449,343	10,000,000	20,922,250	956,371,593	12,523,216,902	13,479,588,495
Note(s)	28	29	30			

* See Note 56

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,581,799,703	1,545,405,546
Grants		2,000,543,002	2,027,159,999
Interest income		278,625,174	232,124,922
Dividends received		1,420	4,087
		3,860,969,299	3,804,694,554
Payments			
Employee costs		(1,715,472,949)	(1,581,848,716)
Suppliers		(1,348,198,540)	(1,420,847,076)
Finance costs		(5,467,093)	(3,169,535)
Grants paid		(6,659,800)	(4,468,967)
		(3,075,798,382)	(3,010,334,294)
Net cash flows from operating activities	51	785,170,917	794,360,260
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(586,908,812)	(586,792,507)
Non-current financial assets		86,938	3,714
Net cash flows from investing activities		(586,821,874)	(586,788,793)
Cash flows from financing activities			
Repayment of borrowings		(97,115,670)	(86,957,438)
Finance lease payments		(25,298,403)	(14,168,660)
Consumer deposits		(591,601)	(888,493)
Finance costs		(115,346,976)	(123,502,696)
Net cash flows from financing activities		(238,352,650)	(225,517,287)
Net increase/(decrease) in cash and cash equivalents		(40,003,607)	(17,945,820)
Cash and cash equivalents at the beginning of the year		154,433,923	172,379,743
Cash and cash equivalents at the end of the year	11	114,430,316	154,433,923

* See Note 56

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Statement of Comparison of Budget and Actual Amounts

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	1,127,398,719	-	1,127,398,719	-		1,127,398,719	1,209,977,460		82,578,741	107 %	107 %
Service charges	1,287,711,793	(56,016,418)	1,231,695,375	-		1,231,695,375	1,242,813,818		11,118,443	101 %	97 %
Investment revenue	17,432,129	-	17,432,129	-		17,432,129	16,456,595		(975,534)	94 %	94 %
Transfers recognised - operational	1,021,407,210	239,034,000	1,260,441,210	-		1,260,441,210	1,112,371,996		(148,069,214)	88 %	109 %
Other own revenue	436,945,328	-	436,945,328	-		436,945,328	673,133,098		236,187,770	154 %	154 %
Total revenue (excluding capital transfers and contributions)	3,890,895,179	183,017,582	4,073,912,761	-		4,073,912,761	4,254,752,967		180,840,206	104 %	109 %
Employee costs	(1,623,191,301)	(46,335,251)	(1,669,526,552)	-	-	(1,669,526,552)	(1,696,941,961)	-	(27,415,409)	102 %	105 %
Remuneration of councillors	(63,341,967)	180,411	(63,161,556)	-	-	(63,161,556)	(64,434,209)	-	(1,272,653)	102 %	102 %
Debt impairment	(345,547,087)	-	(345,547,087)			(345,547,087)	(818,545,762)	-	(472,998,675)	237 %	237 %
Depreciation and asset impairment	(306,697,642)	-	(306,697,642)			(306,697,642)	(821,492,041)	-	(514,794,399)	268 %	268 %
Finance charges	(144,310,832)	28,428	(144,282,404)	-	-	(144,282,404)	(167,087,651)	-	(22,805,247)	116 %	116 %
Materials and bulk purchases	(539,808,595)	-	(539,808,595)	-	-	(539,808,595)	(854,446,680)	-	(314,638,085)	158 %	158 %
Transfers and grants	(25,722,733)	2,498,404	(23,224,329)	-	-	(23,224,329)	(22,109,800)	-	1,114,529	95 %	86 %
Other expenditure	(947,648,861)	30,691,345	(916,957,516)	-	-	(916,957,516)	(873,523,303)	-	43,434,213	95 %	92 %
Total expenditure	(3,996,269,018)	(12,936,663)	(4,009,205,681)	-	-	(4,009,205,681)	(5,318,581,407)	-	(1,309,375,726)	133 %	133 %
Surplus/(Deficit)	(105,373,839)	170,080,919	64,707,080	-		64,707,080	(1,063,828,440)		(1,128,535,520)	(1,644)%	1,010 %
Transfers recognised - capital	1,011,254,000	(49,814,000)	961,440,000	-		961,440,000	758,827,846		(202,612,154)	79 %	75 %
Contributions recognised - capital and contributed assets	-	-	-	-		-	1,397,194		1,397,194	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	905,880,161	120,266,919	1,026,147,080	-		1,026,147,080	(303,603,400)		(1,329,750,480)	(30)%	(34)%
Surplus/(Deficit) for the year	905,880,161	120,266,919	1,026,147,080	-		1,026,147,080	(303,603,400)		(1,329,750,480)	(30)%	(34)%

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Statement of Comparison of Budget and Actual Amounts

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
Capital expenditure and funds sources											
Total capital expenditure	1,033,806,260	120,666,919	1,154,473,179	-		1,154,473,179	639,948,624		(514,524,555)	55 %	62 %
Sources of capital funds											
Transfers recognised - capital	947,526,000	(92,307,000)	855,219,000	-		855,219,000	538,804,837		(316,414,163)	63 %	57 %
Public contributions and donations	4,000,000	-	4,000,000	-		4,000,000	-		(4,000,000)	- %	- %
Borrowing	33,188,260	-	33,188,260	-		33,188,260	22,001,165		(11,187,095)	66 %	66 %
Internally generated funds	49,092,000	212,973,919	262,065,919	-		262,065,919	79,142,622		(182,923,297)	30 %	161 %
Total sources of capital funds	1,033,806,260	120,666,919	1,154,473,179	-		1,154,473,179	639,948,624		(514,524,555)	55 %	62 %

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Statement of Comparison of Budget and Actual Amounts

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
Financial Position and Cash Flows											
Financial Position											
Total current asset	3,643,684,884	80,340,296	3,724,025,180	-		3,724,025,180	3,063,117,454		(660,907,726)	82 %	84 %
Total non-current assets	14,650,515,396	1,192,923,771	15,843,439,167	-		15,843,439,167	15,259,527,410		(583,911,757)	96 %	104 %
Total current liabilities	833,517,759	1,152,908,168	1,986,425,927	-		1,986,425,927	2,624,998,976		638,573,049	132 %	315 %
Total non-current liabilities	2,773,713,266	-	2,773,713,266	-		2,773,713,266	2,218,057,393		(555,655,873)	80 %	80 %
Community wealth/Equity	14,686,969,255	120,355,899	14,807,325,154	-		14,807,325,154	13,479,588,495		(1,327,736,659)	91 %	92 %
Cash flows											
Net cash from (used) operating	574,816,153	(952,960,038)	(378,143,885)	-		(378,143,885)	785,170,917		1,163,314,802	(208)%	137 %
Net cash from (used) investing	(652,789,540)	963,402,788	310,613,248	-		310,613,248	(586,821,874)		(897,435,122)	(189)%	90 %
Net cash from (used) financing	(113,007,694)	40,369,355	(72,638,339)	-		(72,638,339)	(238,352,650)		(165,714,311)	328 %	211 %
Net increase/(decrease) in cash and cash equivalents	(190,981,081)	50,812,105	(140,168,976)	-		(140,168,976)	(40,003,607)		100,165,369	29 %	21 %
Cash and cash equivalents at the beginning of the year	351,954,058	(107,934,949)	244,019,109	-		244,019,109	154,433,923		(89,585,186)	63 %	44 %
Cash and cash equivalents at year end	160,972,977	(57,122,844)	103,850,133	-		103,850,133	114,430,316		(10,580,183)	110 %	71 %

Refer to note 68 for commentary on the changes from the original budget to the final budget as well as explanations for material differences between the final budget and the actual amounts.

Accounting Policies

1. Presentation of Annual Financial Statements

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

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

In the absence of an issued and effective Standard of GRAP, accounting policies for material transactions, events or conditions were developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 as read with Directive 5.

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, loans and other receivables

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

Where the impairment for trade receivables, loans and other receivables is calculated on a portfolio basis, these are based on historical loss ratios. These annual loss ratios are applied to the balances in the portfolio. The impairment is measured as the difference between the receivables' carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate, computed at initial recognition. The impairment loss is recognised in surplus or deficit when there is objective evidence that it is impaired.

Allowance for slow moving, damaged and obsolete stock

An allowance is made for slow moving, damaged and obsolete inventory to write this inventory down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the statement of financial performance.

Fair value estimation

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

The fair value of investment property is determined on the basis of a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of items of land and buildings is determined from market-based evidence by appraisal. An appraisal of the value of the asset is undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

The fair value of heritage assets is the price at which the heritage asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value of heritage assets is determined from market-based evidence determined by appraisal. An appraisal of the value of the asset is normally undertaken by a member of the valuation profession, who holds a recognised and relevant professional qualification.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. The recoverable service amount of non-cash-generating assets have been determined on the higher of value-in-use calculations and fair value less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of the tangible assets.

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

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 24 - Provisions.

Useful lives and residual values

The entity's management determines the estimated useful lives and related depreciation charges for assets as noted in accounting policies 1.4 and 1.6. This estimate is based on industry norm.

Management will increase the depreciation charge prospectively where useful lives are less than previously estimated useful lives. Management will decrease the depreciation charge prospectively where useful lives are more than previously estimated useful lives.

Where changes are made to the estimated residual lives, management also makes these changes prospectively.

Employee benefit obligations

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 25.

1.3 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 entity, and the cost or fair value of the investment property can be measured reliably.

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

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

Cost is the amount of cash or cash equivalents or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. 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.

Accounting Policies

1.3 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Although unlikely, if the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model in accordance with the accounting policy on Property, plant and equipment. The residual value of the investment property is then assumed to be zero. The entity applies the cost model in accordance with the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Derecognition

Items of investment property are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of investment property is included in surplus or deficit when the item is derecognised.

The gain or loss arising from the derecognition of an item of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset.

The entity discloses relevant information relating to assets under construction or development, in the notes to the annual financial statements (refer to note 12).

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 (other than investment property), or for administrative purposes, and are expected to be used during more than one period.

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

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

Property, plant and equipment is initially measured at cost.

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

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

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, its 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.

Accounting Policies

1.4 Property, plant and equipment (continued)

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

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

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

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

Subsequent measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, buildings, water meters and zoo animals which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

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

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to accumulated surplus as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Depreciation and impairment

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

Land, except for landfill and quarry sites, is not depreciated as it has an indefinite useful life.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, property, plant and equipment on the cost model is carried at cost less accumulated depreciation and any accumulated impairment losses. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Item	Depreciation method	Average useful life (years)
Buildings	Straight line	30 - 60
Landfill sites	Straight line	20-69
Fire arms	Straight line	5 - 40
Environmental facilities	Straight line	5 - 50
Quarries	Straight line	20-30
Roads and stormwater	Straight line	3 - 100
Equipment under finance lease	Straight line	3 - 5
Community / Recreational	Straight line	10 - 30
Other assets	Straight line	3 - 20
Sewerage and mains	Straight line	10 - 60
Other vehicles	Straight line	5 - 20
Water network	Straight line	5 - 100
Security	Straight line	10
Housing	Straight line	30 - 60

Accounting Policies

1.4 Property, plant and equipment (continued)

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

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

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

Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there is 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.

Property, plant and equipment which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (refer to note 13).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 13).

1.5 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset 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 entity or from other rights and obligations.

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

Accounting Policies

1.6 Intangible assets (continued)

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

The entity 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.

Subsequent measurement

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

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

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

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

Amortisation begins when intangible assets are in the location and condition necessary for it to be capable of operating in the manner intended by management and ceases at the date that the asset is derecognised.

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

Item	Depreciation method	Average useful life (years)
Computer software	Straight line	3-30
Servitudes		Indefinite

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 14).

Derecognition

Intangible assets are derecognised:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount.

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

1.7 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 of present and future generations.

Recognition

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

Initial measurement

Heritage assets are measured at cost.

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

Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

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

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

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

Impairment

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

Compensation from third parties for items of heritage assets property that were impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Transfers

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

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

Derecognition

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

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

The entity separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (refer to note 15).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (refer to note 15).

1.8 Investments in controlled entities

Investments in controlled entities are carried at cost less any accumulated impairment.

The cost of an investment in a controlled entity is the aggregate of:
the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity;
plus
any costs directly attributable to the purchase of the controlled entity.

1.9 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.

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.

Accounting Policies

1.9 Financial instruments (continued)

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

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

A financial asset is:

- cash;
- a residual interest of another entity; or
- 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 liability is any liability that is a contractual obligation to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;

Accounting Policies

1.9 Financial instruments (continued)

- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- combined instruments that are designated at fair value;
- 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 entity 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:

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

Initial recognition

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

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus, in the case of a financial asset or 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.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity 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 entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

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

Reclassification

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

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

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

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

Accounting Policies

1.9 Financial instruments (continued)

The entity assess financial assets individually, when assets are individually significant, and individually 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), an entity includes the assets 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 of impairment.

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

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

- Significant financial difficulty experienced by the borrower/debtor;
- Delays in payments (including interest payments) or failure to pay/defaults;
- For economic or legal reasons, allowing disadvantaged customers who are experiencing financial difficulties to pay as and when they can. The entity would not otherwise have considered this concession. For example, allowing disadvantaged customers to pay their account when they can due to the fact that the water it supplies to the customer is a basic human right;
- It is probable that the borrower/debtor will enter sequestration (bankruptcy) or other financial reorganisation;
- The disappearance of an active market for the financial asset because of financial difficulties
- Observable data, for example historical data, indicating that there is a decrease in the estimated future cash flows that will be received (which can be measured reliably), from a group of financial assets (financial assets with similar credit risk characteristics grouped together) since the initial recognition of those assets. The decrease may not yet be identified for the individual financial assets in the group. These can include:
 - the payment status of borrowers/debtors in the group has deteriorated (e.g. an increased number of delayed payments);
 - or
 - national or local economic conditions that are in line with non-payments in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers/debtors, or adverse changes in market conditions that affect the borrowers/debtors in the group)
- Accounts in arrears for a period longer than the initial estimated repayment period;
- Accounts with arrears of over 90 days showing no repayments in the last financial year;
- Accounts handed over for collection;
- Any negative changes in the ability of debtors and borrowers to repay the amounts due to the entity (e.g. an increased number of late payments);
- A breach in contract, such as a default in interest or capital payments.

Management need not utilize all the indicators given above as guidance but only use the indicators to which management has sufficient information to make the assessment for possible or actual impairment.

Refer to notes 4, 5, 6 and 7 for the impact of the above application.

Financial assets measured at amortised cost:

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

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

Financial assets measured at cost:

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

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, 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 entity :
 - 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 entity 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 entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity 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 entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another 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).

Accounting Policies

1.9 Financial instruments (continued)

Presentation

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

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

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

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

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

1.10 Tax

VAT

The entity accounts for VAT on the accrual basis, and is liable for VAT on the payment basis. The entity is liable to account for VAT at the standard rate in terms of section 7(1)(a) of the Value Added Tax Act, (Act 89 of 1991) in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11 of the VAT Act, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity accounts for VAT on a monthly basis.

1.11 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - 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.

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.

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

Accounting Policies

1.12 Inventories

The entity recognises inventories as an asset when;

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

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

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

1.13 Impairment of cash-generating assets

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

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

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

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

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

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

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

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

Useful life is either:

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

All assets of the entity are accounted for as non-cash generating assets.

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use the entity:

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

Composition of estimates of future cash flows

Estimates of future cash flows include:

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

Estimates of future cash flows exclude:

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

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

Discount rate

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

Recognition and measurement (individual asset)

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

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

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

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

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

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

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

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

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

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

Reversal of impairment loss

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

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

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

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

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

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

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

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

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

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Redesignation

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

1.14 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 or 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 entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

All assets of the entity are accounted for as non-cash generating assets.

Identification

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

The entity 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 entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests 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.

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

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

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

Redesignation

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

1.15 Employee benefits

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

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

- an 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.

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

A constructive obligation is an obligation that derives from an 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.

Accounting Policies

1.15 Employee benefits (continued)

Short-term employee benefits

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

Short-term employee benefits include items such as:

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

When an employee has rendered service to the entity during a reporting period, the entity 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 measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity 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 an entity provides post-employment benefits for one or more employees.

Accounting Policies

1.15 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity 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 entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

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

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

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

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity 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 entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity'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 entity measures the resulting asset at the lower of:

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

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

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

The entity 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).

Accounting Policies

1.15 Employee benefits (continued)

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

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity 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 entity 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 entity re-measures 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 not presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity 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.

Accounting Policies

1.15 Employee benefits (continued)

Other post retirement obligations

The entity provides other long term employee benefits to qualifying employees in the form of long service award.

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 entity 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.

The entity determines the present value of long term employee 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 entity uses the Projected Unit Credit Method to determine the present value of its long service employee benefit and the related current service cost and, where applicable, past service cost. The Projected Unit Credit 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.

1.16 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus.

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

Accounting Policies

1.16 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

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

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

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

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

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

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

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

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 entity 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 entity 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 entity considers that an outflow of economic resources is probable, an entity 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.

Accounting Policies

1.16 Provisions and contingencies (continued)

Decommissioning, restoration and similar liability

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

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

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

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

1.17 Commitments

Where the entity has a contractual commitment in respect of the acquisition of property, plant and equipment, these are disclosed in note 52.

The commitments as disclosed are the contractual amount less any payments made in respect of the contract.

1.18 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 entity 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 services charges, rentals, interest received and other services rendered.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

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.

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

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

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

Rendering of services consist out of solid waste, sanitation, sewerage and water services.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

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

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Rental income

Leases revenue from operating leases shall be recognised as revenue on a straight-line basis over the lease term in accordance with the accounting policy on Leases.

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

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the amount of the revenue can be measured reliably

1.19 Revenue from non-exchange transactions

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

Revenue from non-exchange transactions consists primarily of grants from National - and Provincial Government, Property rates and Fines revenue.

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 entity 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.

Accounting Policies

1.19 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.

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

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 entity 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.

When considering the probability of the future economic benefits that will flow to the entity, consideration is given to the requirements as outlined in IGRAP 1.

Measurement

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

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

Taxes

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

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

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

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

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

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Transfers

Apart from Services in kind, which are not recognised unless it is significant to the entity's operations, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

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

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

Debt forgiveness and assumption of liabilities

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

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

Fines

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

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

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

Bequests

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

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

The above accounting policy on services in kind revenue has been included during the current financial year and is not regarded as a change in accounting policy, but rather to provide further details relating to services in kind.

Concessionary loans received

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

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity 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.

Accounting Policies

1.20 Investment income

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

1.21 Borrowing costs

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

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

1.22 Comparative figures

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

1.23 Unauthorised expenditure

Unauthorised expenditure means:

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

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

Detailed disclosures are made in note 61 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.24 Fruitless and wasteful expenditure

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

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

Detailed disclosures are made in note 62 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.25 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 or municipal entity that is not in accordance with or in contravention of:

- a) the MFMA, and which has not been condoned in terms of section 170;
- 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 municipal entity 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.

Detailed disclosures are made in note 63 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.26 Internal reserves

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims, which are not insured externally. The balance of the Self Insurance Reserve is determined based on the insurance risk carried by the entity, which is calculated by the entity's insurance broker and is reinstated or increased by a transfer from or to the accumulated surplus or deficit.

Claims are settled by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

Accounting Policies

1.26 Internal reserves (continued)

Compensation for occupational injuries and diseases (COID) reserve

The Compensation for Occupational Injuries and Diseases Act (Act 130 of 1993) is to provide for payment of medical treatment and compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases. The contribution to the COID fund is determined by the Compensation Commissioner. The entity is an exempt employer in terms of Section 84 (1) (a)(ii) & (2) and as such does not pay any assessments to the COID Commissioner. In terms of the exempt status the entity is mandated to establish its own fund and administers this fund in terms of the COID Act.

Amounts are transferred to the COID reserve from the accumulated surplus or deficit based on the amounts as approved in the annual budget and determined by the Compensation Commissioner as well as additional amounts deemed necessary to ensure that the balance of the reserve is adequate to offset potential claims.

Claims are paid as determined by the Compensation Commissioner. Claims are settled by transferring a corresponding amount from the COID reserve to the accumulated surplus or deficit..

1.27 Revaluation reserve

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

Any impairment loss of a revalued asset shall be treated as a revaluation decrease. To the extent that the impairment loss exceeds the revaluation surplus for the same asset, the impairment loss is recognised in the accumulated surplus/(deficit).

1.28 Segment information

Segmental information on property, plant and equipment, as well as income and expenditure is set out in Appendices F2 and F4, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The entity operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the annual financial statements.

GRAP 18 has not been considered in developing these policies.

1.29 Budget information

The entity is 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 entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on the accrual basis and presented by nature classification. The approved budget and the annual financial statements are not prepared on the same classification basis.

The annual budget figures included in the annual financial statements are for the entity and do not include budget information relating to subsidiaries. The separate budget for the entity has been recompiled for the presentation in the annual financial statements. The recompilation does not constitute changes or revisions of the consolidated budget as approved by the Council.

The Statement of comparative and actual information has been included in the annual financial statements as the recommended disclosure when the annual financial statements and the budget are on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 68 to the annual financial statements.

Accounting Policies

1.30 Related parties

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

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

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

Related party disclosures for transactions between government entities that took place on terms and conditions that are considered to be at arms length and in the ordinary course of business are not disclosed in accordance with IPSAS 20 Related Party Disclosure.

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

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

Accounting Policies

1.32 Housing development arrangements

The entity grants the right to use properties to third parties by means of contractual agreements. These agreements are classified into two categories, namely the FRESHCO Agreement and the Land Availability Agreements.

The following properties, owned by the entity, are used by third parties to provide public services subject to the entity's control of the asset.

Brandwag Property;
Hillside View Property;
Vista Park Extension 2 Property; and
Vista Park Extension 3 Property.

These agreements are binding arrangements between the entity and the third party in which:

- The third party uses the specified asset to provide a public service on behalf of the entity for a specified period of time; and
- The third party is compensated for its services over the period of the arrangement, and/or upon completion of conditions specified within the contract, and/or upon the completion of the project.

The Properties are assets used to provide public services, in an arrangement, that:

- Are provided by the entity which:
- Are existing assets of the entity; or
- Are upgrade to existing assets of the entity; or
- Are provided by the third party which:
- Are existing assets of the third party; or
- Are constructed, developed, or acquired from a third party.

The entity shall recognize an asset provided by the third party and/or an upgrade to an existing asset of the entity if:

- The entity controls or regulates what services the third party must provide with the asset, to whom it must provide them, and at what price; and
- The entity controls – through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the term of the arrangement.

The entity shall initially measure the assets recognised at fair value.

The assets received shall subsequently be accounted for in accordance with the GRAP Standard applicable to the classification of the asset received. Including but not limited to GRAP 16 – Investment Property; GRAP 17 - Property, Plant, and Equipment; and GRAP 12 – Inventory.

Where the entity recognises an asset, the entity shall also recognise a liability.

The liability recognised shall be initially measured at the same amount as the asset, adjusted by the amount of any other consideration (e.g.cash) from the entity to the third party, or from the third party to the entity.

Where the entity does not have an unconditional obligation to pay cash or another financial asset to the third party for the construction, development, acquisition, or upgrade of the property, and grants the third party the right to earn revenue from other third-party users or another revenue-generating asset, the entity shall account for the liability recognised as the unearned portion of the revenue arising from the exchange of assets between the entity and the third party.

The entity shall recognize revenue and reduce the liability recognised according to the economic substance of the arrangement.

The entity shall account for the revenues from the third party in accordance with GRAP 9 - Revenue from Exchange Transactions.

1.33 Advance receipts

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.

In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

All receipts received in advance are classified as non-exchange transactions as no approximate equal value is exchanged between the parties.

Refer to note 19 Payables from non-exchange transactions where these receipts in advance are disclosed.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 12 (as amended 2016): Inventories 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 16 (as amended 2016): Investment Property 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 17 (as amended 2016): Property, Plant and Equipment 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 21 (as amended 2016): Impairment of non-cash-generating assets 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 26 (as amended 2016): Impairment of cash-generating assets 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 27 (as amended 2016): Agriculture 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 31 (as amended 2016): Intangible Assets 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> GRAP 103 (as amended 2016): Heritage Assets 	01 April 2018	The impact of the changes to the standard is not material to the entity.
<ul style="list-style-type: none"> Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities 	01 April 2018	The impact of the directive is not material to the entity.

2.2 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
<ul style="list-style-type: none"> GRAP 18 - Segment Reporting 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 1 (amended): Presentation of Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 34: Separate Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 35: Consolidated Financial Statements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 36: Investments in Associates and Joint Ventures 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 37: Joint Arrangements 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 38: Disclosure of Interests in Other Entities 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 110 (as amended 2016): Living and Non-living Resources 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue 	01 April 2020	Unlikely there will be a material impact
<ul style="list-style-type: none"> Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme 	01 April 2019	Unlikely there will be a material impact
<ul style="list-style-type: none"> GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements 	01 April 2019	Unlikely there will be a material impact

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	No date has been determined	Unlikely there will be a material impact
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
3. Inventories		
Consumable stores	5,518,901	7,447,257
Fuel (diesel, petrol)	519,098	806,675
Maintenance materials	1,097,664	726,483
Unsold properties held for resale	520,630,039	421,672,348
Water in pipes and reservoirs	3,386,464	3,655,692
	531,152,166	434,308,455
Inventory recognised as an expense		
Inventories recognised as an expense during the year	33,665,969	73,338,992
Inventories written off	148,334	579,072
	33,814,303	73,918,064
Inventory pledged as security		
No inventory was pledged as security for any financial liability.		
4. Consumer receivables from non-exchange transactions		
Rates - Gross balance	1,324,898,673	1,053,159,087
Rates - Impairment	(639,831,130)	(512,318,544)
	685,067,543	540,840,543
Rates ageing		
Current (0 - 30 days)	97,036,465	86,594,245
31 - 60 days	62,220,818	50,925,673
61 - 90 days	52,068,537	43,035,566
91+ days	1,113,572,853	872,603,603
Gross balance	1,324,898,673	1,053,159,087
Less: Allowance for impairment	(639,831,130)	(512,318,544)
	685,067,543	540,840,543
Summary by customer classification		
Residential and sundry		
Current (0 - 30 days)	34,655,744	28,879,431
31 - 60 days	20,541,907	15,527,807
61 - 90 days	16,692,646	13,157,486
91+ days	445,301,506	363,857,701
Gross balance	517,191,803	421,422,425
Less: Allowance for impairment	(430,201,178)	(318,640,636)
	86,990,625	102,781,789
Business / commercial		
Current (0 - 30 days)	32,298,001	30,597,137
31 - 60 days	14,159,977	11,544,818
61 - 90 days	8,714,624	6,568,657
91+ days	236,024,799	211,214,509
Gross balance	291,197,401	259,925,121
Less: Allowance for impairment	(209,629,952)	(193,677,908)
	81,567,449	66,247,213

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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4. Consumer receivables from non-exchange transactions (continued)

Government

Current (0 - 30 days)	30,082,720	27,117,677
31 - 60 days	27,518,934	23,853,048
61 - 90 days	26,661,267	23,309,422
91+ days	432,246,548	297,531,393
	516,509,469	371,811,540

Consumer receivables from non-exchange transactions pledged as security

None of the consumer receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of consumer receivables from non-exchange transactions

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

Consumer receivables from non-exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

The credit quality of consumer receivables from non-exchange transactions was evaluated in terms of the risk group and aging of the individual receivable account.

Consumer receivables from non-exchange transactions past due but not impaired

Consumer receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 114,289,355 (2018: R 93,961,239) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	62,220,818	50,925,673
2 months past due	52,068,537	43,035,566

Consumer receivables from non-exchange transactions impaired

As of 30 June 2019, consumer receivables from non-exchange transactions of R 639,831,130 (2018: R 512,318,544) were impaired and provided for.

The amount of the provision was R 639,831,130 as of 30 June 2019 (2018: R 512,318,544).

The ageing of these loans is as follows:

Over 3 months	639,831,130	512,318,544
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Reconciliation of provision for impairment of consumer receivables from non-exchange transactions

Opening balance	512,318,544	564,138,416
Provision for impairment adjustment	127,512,586	(51,819,872)
	639,831,130	512,318,544

Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer receivables from exchange transactions		
Net balance		
Water	518,666,062	509,399,468
Sewerage	237,476,630	184,490,756
Refuse	45,867,627	41,650,284
Housing rental	3,614,965	3,010,876
	805,625,284	738,551,384
Net balance reconciliation - 2019	Gross balance	Impairment
Water	2,197,950,622	(1,679,284,560)
Sewerage	605,977,562	(368,500,932)
Refuse	254,651,093	(208,783,466)
Housing rental	30,206,747	(26,591,782)
	3,088,786,024	(2,283,160,740)
		805,625,284
Net balance reconciliation - 2018	Gross balance	Impairment
Water	2,011,165,474	(1,501,766,006)
Sewerage	478,480,207	(293,989,451)
Refuse	214,228,409	(172,578,125)
Housing rental	23,738,183	(20,727,307)
	2,727,612,273	(1,989,060,889)
		738,551,384
Water		
Current (0 - 30 days)	95,998,388	83,945,730
31 - 60 days	61,304,263	53,972,376
61 - 90 days	55,692,092	63,247,713
91+ days	1,967,909,019	1,785,972,279
Meter reading estimate	17,046,860	24,027,376
Gross balance	2,197,950,622	2,011,165,474
Less: Allowance for impairment	(1,679,284,560)	(1,501,766,006)
	518,666,062	509,399,468
Sewerage		
Current (0 - 30 days)	30,112,860	26,244,000
31 - 60 days	20,719,224	17,525,414
61 - 90 days	17,935,402	16,642,596
91+ days	537,210,076	418,068,197
Gross balance	605,977,562	478,480,207
Less: Allowance for impairment	(368,500,932)	(293,989,451)
	237,476,630	184,490,756
Refuse		
Current (0 - 30 days)	10,563,456	9,363,381
31 - 60 days	7,703,608	6,702,037
61 - 90 days	6,823,090	6,076,851
91+ days	229,560,939	192,086,140
Gross balance	254,651,093	214,228,409
Less: Allowance for impairment	(208,783,466)	(172,578,125)
	45,867,627	41,650,284

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
5. Consumer receivables from exchange transactions (continued)		
Housing rental		
Current (0 - 30 days)	1,498,538	1,193,953
31 - 60 days	645,550	588,216
61 - 90 days	648,973	560,562
91+ days	27,413,686	21,395,452
Gross balance	30,206,747	23,738,183
Less: Allowance for impairment	(26,591,782)	(20,727,307)
	3,614,965	3,010,876
Summary of debtors by customer classification		
Residential and sundry		
Current (0 - 30 days)	95,646,589	80,848,450
31 - 60 days	61,801,475	59,038,405
61 - 90 days	58,326,889	62,466,417
91+ days	2,080,326,007	1,833,627,450
Meter reading estimate	17,046,860	24,027,376
Gross balance	2,313,147,820	2,060,008,098
Less: Allowance for impairment	(2,029,560,556)	(1,788,476,143)
	283,587,264	271,531,955
Business/ commercial		
Current (0 - 30 days)	26,555,349	23,697,020
31 - 60 days	10,586,076	7,725,847
61 - 90 days	10,384,949	10,062,017
91+ days	291,659,880	248,072,637
Gross balance	339,186,254	289,557,521
Less: Allowance for impairment	(253,600,184)	(200,584,746)
	85,586,070	88,972,775
National and provincial government		
Current (0 - 30 days)	15,971,303	16,201,594
31 - 60 days	17,985,095	12,023,790
61 - 90 days	12,387,719	13,999,289
91+ days	390,107,833	335,821,981
	436,451,950	378,046,654
Total		
Current (0 - 30 days)	138,172,847	120,747,064
31 - 60 days	90,372,646	78,788,042
61 - 90 days	81,099,557	86,527,723
91+ days	2,762,094,114	2,417,522,068
Meter reading services	17,046,860	24,027,376
Gross balance	3,088,786,024	2,727,612,273
Less: Allowance for impairment	(2,283,160,740)	(1,989,060,889)
	805,625,284	738,551,384

Consumer receivables from exchange transactions pledged as security

None of the consumer receivables from exchange transactions were pledged as security for any financial liability.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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5. Consumer receivables from exchange transactions (continued)

Credit quality of consumer receivables from exchange transactions

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

Consumer receivables from exchange transactions are only due after 30 days. Interest shall be paid on accounts which have not been paid within 30 days from the date on which the account became due, at a rate of 1% higher than the prime rate for the period.

None of the consumer receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Consumer receivables from exchange transactions past due but not impaired

Consumer receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2019, R 171,472,203 (2018: R 165,315,765) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	90,372,646	78,788,042
2 months past due	81,099,557	86,527,722

Consumer receivables from exchange transactions impaired

As of 30 June 2019, consumer receivables from exchange transactions of R 2,283,160,740 (2018: R 1,989,060,889) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	2,283,160,740	1,989,060,889
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Reconciliation of allowance for impairment of consumer receivables from exchange transactions

Opening balance	1,989,060,889	1,542,403,477
Allowance for impairment	294,099,851	446,657,412
	2,283,160,740	1,989,060,889

Due to the limitations on the financial system it is impractical to disclose the impaired interest on consumer receivables from exchange transactions.

6. Other receivables from non-exchange transactions

Fines receivables	274,227,999	225,777,675
Fines receivables - Impairment	(273,621,585)	(225,777,675)
Grants receivables	114,350,195	114,350,195
Grants receivables - Impairment	(114,350,195)	(111,584,929)
	606,414	2,765,266

Fines receivables consists out of debtors raised from Fines revenue as disclosed in note 40.

Grants receivables relates to VAT on grants in prior years claimed from National Treasury which has not yet been finalised.

Other receivables from non-exchange pledged as security

None of the other receivables from non-exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from non-exchange transactions

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

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity does not hold any collateral as security.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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6. Other receivables from non-exchange transactions (continued)

Other receivables from non-exchange transactions impaired

As of 30 June 2019, other receivables from non-exchange transactions of R 387,971,780 (2018: R 337,362,604) were impaired and provided for.

The amount of the provision was R 387,971,780 as of 30 June 2018 (2018: R 337,362,604).

No amounts for other receivables from non-exchange transactions were past due but not impaired.

Reconciliation of provision for impairment of Fines receivables

Opening balance	225,777,675	225,360,563
Provision for impairment adjustment	47,843,910	417,112
	273,621,585	225,777,675

Reconciliation of provision for impairment of Grants receivables

Opening balance	111,584,929	69,563,667
Provision for impairment adjustment	2,765,266	42,021,262
	114,350,195	111,584,929

7. Other receivables from exchange transactions

Deferred lease expenditure	516,625	213,062
Interest on investments	203,598	25,403
Prepaid water vendors	8,940,996	-
Overpayment of contractors	21,661,661	21,661,661
Overpayment of contractors - Impairment	(21,661,660)	-
Staff leave days receivable	1,952,307	4,086,927
Sundry debtors	89,256,299	82,908,852
Sundry debtors - Impairment	(40,750,801)	(36,610,485)
	60,119,025	72,285,420

Other receivables from exchange transactions pledged as security

None of the other receivables from exchange transactions were pledged as security for any financial liability.

Credit quality of other receivables from exchange transactions

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

None of the other receivables from exchange transactions that are fully performing have been renegotiated in the last year.

Other receivables from exchange transactions past due but not impaired

Other receivables from exchange transactions which are less than 3 months past due are not considered to be impaired.
At 30 June 2019, R 4,584,416 (2018: R 4,784,204) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	4,584,416	4,784,204
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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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7. Other receivables from exchange transactions (continued)

Other receivables from exchange transactions impaired

As of 30 June 2019, other receivables from exchange transactions of R 62,412,461 (2018: R 36,610,485) were impaired and provided for.

The amount of the provision was R 62,412,461 as of 30 June 2019 (2018: R 36,610,485).

The ageing of these loans is as follows:

Over 3 months	62,412,461	36,610,485
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Reconciliation of provision for impairment of other receivables from exchange transactions

Opening balance	36,610,485	27,616,015
Provision for impairment adjustment	25,801,976	8,994,470
	62,412,461	36,610,485

Sundry debtors consist of debtors raised from other income from exchange transactions recognised (refer to note 34).

Due to the limitations on the financial system it is impractical to disclose the impaired interest on other receivables from exchange transactions.

8. VAT receivable

VAT receivable	84,052,779	63,269,539
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VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.

Disclosure in terms of the MFMA

Opening balance	63,269,539	26,459,677
VAT Payable	(4,150,259)	(796,245)
VAT Claimed not yet received	24,933,499	37,606,107
	84,052,779	63,269,539

9. Centlec intercompany loan

Loans to Controlled entities

Centlec intercompany loan	507,497,129	562,130,358
The intercompany loan balance is the net balance payable or receivable of all transactions between Centlec (SOC) Limited and the entity and interest is levied on the average balance for the year at the effective prime interest rate on the first day of the financial year. The applicable interest rate for the year was 10.50% (2018: 10.50%).		

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
10. Centlec receivables		
Shareholders loan	1,071,479,157	1,071,479,158
<p>The capital amount outstanding shall bear interest at the lower of 15% of Centlec (SOC) Limited's prior year's revenue or the interest rate used as at 30 June 2010 (i.e. 8.7%), adjusted for CPI as per the Public Finance Sector.</p> <p>The adjusted interest rate as at 30 June 2019 was 14.10% (2018: 14.10%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.</p> <p>The loan is repayable from 2015 over a period of 21 years.</p>		
Capital advances	74,397,665	81,094,674
<p>The amount is composed of various advances that have been loaned to Centlec (SOC) Limited by the entity during prior years. Each portion has a different redemption period that extends over the useful life of each specific asset, at an interest rate of 10.5% (2018: 10.5%).</p>		
	1,145,876,822	1,152,573,832
Non-current assets	871,310,024	1,145,876,823
Current assets	274,566,798	6,697,009
	1,145,876,822	1,152,573,832

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	133,749	142,549
Bank balances	30,039,186	19,887,421
Short-term deposits	84,257,381	134,403,953
	114,430,316	154,433,923

An unlimited surety is provided by Free State Provincial Government, National Treasury and the Development Bank of South Africa.

The total of the overdraft facility available to the entity is R50,000,000 (2018: R50,000,000).

There are no restrictions on the entity's ability to realise cash balances.

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:

Credit rating

Aa1	-	154,291,374
BB+	114,296,567	-
	114,296,567	154,291,374

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	30	21,909,130	16,340,245
The term deposit investment is pledged as security to the Compensation Commissioner of the Workmen's Compensation Fund to guarantee the payment of claims in respect of injuries while on duty.			

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Nedbank - Primary Account - 1186196793	20,122,282	-	-	20,122,282	-	-
Nedbank - Traffic - 1186245379	1,590	-	-	1,590	-	-
Nedbank - Charges - 1186660643	(28,685)	-	-	(28,685)	-	-
Nedbank - Cashiers - 1186239778	(6,667)	-	-	939,907	-	-
Nedbank - Fresh Produce Market - 1186414936	4,032,826	-	-	4,032,826	-	-
Absa - Primary account - 470 000 465	4,502,279	12,015,461	48,057,521	4,502,279	12,015,461	48,057,521
Absa - Fresh Produce - 470 001 348	468,986	4,469,209	4,307,048	468,986	4,471,209	4,307,048
Absa - Direct deposits - 470 001 380	-	-	-	-	2,741,227	1,219,481
Absa - Current account - 406 653 1831	-	-	1,137	-	-	1,137
Absa - Current account - 186 027 0184	-	-	5,361,886	-	-	5,361,886
First National Bank - Current account - 624 019 56729	-	659,524	336,848	-	659,524	336,848
Total	29,092,611	17,144,194	58,064,440	30,039,185	19,887,421	59,283,921

During the current year the entity changed from ABSA to Nedbank as its primary bank.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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11. Cash and cash equivalents (continued)

Summary of short term deposits held

Short term deposits held with ABSA	70,963,078	131,323,861
Short term deposits held with FNB	697,275	653,811
Short term deposits held with Nedbank	6,680,591	37,673
Short term deposits held with Standard bank	5,916,437	2,388,608
	84,257,381	134,403,953

12. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,570,113,653	-	1,570,113,653	1,566,340,435	-	1,566,340,435

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	1,566,340,435	3,773,218	1,570,113,653

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	1,584,411,863	(18,071,428)	1,566,340,435

Pledged as security

No investment property has been pledged as security for any financial liability.

Investment property in the process of being constructed or developed

No investment property are in the process of being constructed or developed.

Details of property

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

Details of valuation

The effective date of the revaluations was 30 June 2019. The entity's investment property was revalued by independent professional qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and categories of the investment properties valued.

The investment properties were revalued with reference to comparable market data where available, as well as information from the deeds office.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

13. 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	1,612,482,236	-	1,612,482,236	1,620,760,935	-	1,620,760,935
Buildings	1,366,412,001	(111,282,998)	1,255,129,003	1,363,892,113	(59,073,542)	1,304,818,571
Buildings - WIP	4,220,268	-	4,220,268	3,791,836	-	3,791,836
Infrastructure - Roads and roads related	5,924,245,615	(2,691,310,531)	3,232,935,084	5,765,743,096	(2,285,007,327)	3,480,735,769
Infrastructure - Water network	2,430,741,979	(860,195,182)	1,570,546,797	2,310,506,742	(775,867,904)	1,534,638,838
Infrastructure - Water meters	181,388,508	(17,217,733)	164,170,775	136,321,816	1	136,321,817
Infrastructure - Sanitation network	3,445,274,047	(740,958,982)	2,704,315,065	3,046,489,508	(616,874,263)	2,429,615,245
Infrastructure - WIP	516,335,015	-	516,335,015	701,395,048	-	701,395,048
Community - Landfill sites and quarries	677,961,142	(448,040,290)	229,920,852	590,567,722	(418,700,277)	171,867,445
Community - Other	1,308,997,823	(548,553,285)	760,444,538	1,306,726,495	(485,031,209)	821,695,286
Community - WIP	139,725,938	-	139,725,938	102,034,687	-	102,034,687
Fleet	420,468,138	(125,060,801)	295,407,337	369,727,101	(101,410,269)	268,316,832
Other property, plant and equipment	118,047,409	(77,677,774)	40,369,635	111,913,109	(63,999,013)	47,914,096
Zoo animals	5,520,165	1	5,520,166	5,549,815	(726)	5,549,089
Total	18,151,820,284	(5,620,297,575)	12,531,522,709	17,435,420,023	(4,805,964,529)	12,629,455,494

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	WIP Additions and WIP Transfers	Disposals	Transfers	Revaluations / Fair value adjustments	Depreciation	Impairment loss	Total
Land	1,620,760,935	1,000	-	(128,000)	(8,151,699)	-	-	-	1,612,482,236
Buildings	1,304,818,571	2,519,888	-	-	-	-	(52,209,456)	-	1,255,129,003
Buildings - WIP	3,791,836	428,432	-	-	-	-	-	-	4,220,268
Infrastructure - Roads	3,480,735,769	33,681,173	127,632,555	(1,516,705)	-	-	(407,597,708)	-	3,232,935,084
Infrastructure - Water network	1,534,638,838	33,752,328	86,482,910	-	-	-	(84,327,279)	-	1,570,546,797
Infrastructure - Water meters	136,321,817	56,322,198	-	(10,789,825)	-	-	(17,683,415)	-	164,170,775
Infrastructure - Sanitation network	2,429,615,245	103,742,423	295,042,116	-	-	-	(124,084,719)	-	2,704,315,065
Infrastructure - WIP	701,395,048	324,097,548	(509,157,581)	-	-	-	-	-	516,335,015
Community - Landfill sites and quarries	171,867,445	-	-	-	-	87,393,419	(29,340,012)	-	229,920,852
Community - Other	821,695,286	3,636,810	3,541,397	(603,057)	-	-	(67,775,842)	(50,056)	760,444,538
Community - WIP	102,034,687	41,232,648	(3,541,397)	-	-	-	-	-	139,725,938
Fleet	268,316,832	50,741,036	-	-	-	-	(22,766,995)	(883,536)	295,407,337
Other property, plant and equipment	47,914,096	6,154,798	-	(6,587)	-	-	(13,692,672)	-	40,369,635
Zoo animals	5,549,089	613,900	-	(612,899)	-	289,355	(319,279)	-	5,520,166
	12,629,455,494	656,924,182	-	(13,657,073)	(8,151,699)	87,682,774	(819,797,377)	(933,592)	12,531,522,709

Mangaung Metropolitan Municipality

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Figures in Rand

13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	WIP Additions & WIP Transfers	Disposals	Transfers	Revaluations	Depreciation	Total
Land	1,621,284,299	31,000	-	(64,364)	(490,000)	-	-	1,620,760,935
Buildings	1,291,344,354	15,847,451	50,398,480	-	-	-	(52,771,714)	1,304,818,571
Buildings - WIP	52,855,505	1,334,811	(50,398,480)	-	-	-	-	3,791,836
Infrastructure - Roads	3,444,280,917	117,091,402	283,293,338	(1,832,214)	-	-	(362,097,674)	3,480,735,769
Infrastructure - Water network	1,593,821,710	3,412,248	28,182,077	-	-	-	(90,777,197)	1,534,638,838
Infrastructure - Water meters	167,220,052	29,718,025	-	(24,482,382)	-	(23,776,372)	(12,357,506)	136,321,817
Infrastructure - Sanitation network	2,071,311,969	137,356,783	328,192,255	-	-	-	(107,245,762)	2,429,615,245
Infrastructure - WIP	1,040,905,942	340,084,535	(639,667,670)	(39,927,759)	-	-	-	701,395,048
Community - Landfill sites and quarries	164,692,740	32,395,357	-	-	-	-	(25,220,652)	171,867,445
Community - Other	589,397,833	275,853,493	21,666,893	(4,053,061)	-	-	(61,169,872)	821,695,286
Community - WIP	96,065,164	36,864,926	(21,666,893)	(3,088,748)	(6,139,762)	-	-	102,034,687
Fleet	243,277,253	40,143,728	-	(2,167,756)	-	-	(12,936,393)	268,316,832
Other property, plant and equipment	59,276,060	6,829,590	-	(10,790)	-	-	(18,180,764)	47,914,096
Zoo animals	5,467,742	1,039,800	-	(356,253)	-	(591,085)	(11,115)	5,549,089
	12,441,201,540	1,038,003,149	-	(75,983,327)	(6,629,762)	(24,367,457)	(742,768,649)	12,629,455,494

Pledged as security

No PPE has been pledged as security for any financial liability.

Assets subject to finance lease (Net carrying amount)

Fleet	80,061,375	56,702,366
Other property, plant and equipment	4,229,837	6,341,864
	84,291,212	63,044,230

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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13. Property, plant and equipment (continued)

Revaluations

Revaluation of land and buildings:

The effective date of the revaluations was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

Revaluation of zoo animals:

The effective date of the revaluation was 30 June 2019. The revaluation is performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in valuations of zoo animals.

Revaluations of water meters:

The effective date of the revaluation was 30 June 2018. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the meters valued.

The valuations were performed after the following factors were taken into account:

- the useful lives and;
- the condition of the asset.

Details of properties

A register containing the information required by section 63 of the Municipal Finance Management Act, (Act 56 of 2003) is available for inspection at the registered office of the entity.

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

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Project W1202F - Botshabelo Sanitation	-	11,121,285
The reason for the project being halted is due to the contractor abandoning the site. The outstanding work needs to be completed before the entity can commission the asset.		
Contract C155 - Feasibility study for the relocation of the zoo	1,126,720	-
The project has been halted and no conclusion has been reached on further implementation.		
	1,126,720	11,121,285

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	208,970,165	396,019,483
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Deemed cost

Deemed cost was determined using depreciated replacement cost.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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14. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	14,194,411	(8,043,439)	6,150,972	14,194,411	(7,282,368)	6,912,043
Servitudes	305,707	-	305,707	305,707	-	305,707
Total	14,500,118	(8,043,439)	6,456,679	14,500,118	(7,282,368)	7,217,750

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software	6,912,043	(761,071)	6,150,972
Servitudes	305,707	-	305,707
	7,217,750	(761,071)	6,456,679

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	8,130,980	(1,218,937)	6,912,043
Servitudes	305,707	-	305,707
	8,436,687	(1,218,937)	7,217,750

Pledged as security

No intangible assets has been pledged as security for any financial liability.

Intangible assets in the process of being constructed or developed

No intangible assets are in the process of being constructed or developed.

Intangible assets with indefinite useful lives

Servitudes	305,707	305,707
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The servitudes held by the entity are land rights that have been issued. The land held by the entity is deemed to have an indefinite useful life, including servitudes.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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15. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	279,968,687	-	279,968,687	279,968,687	-	279,968,687

Reconciliation of heritage assets 2019

	Opening balance	Total
Heritage assets	279,968,687	279,968,687

Reconciliation of heritage assets 2018

	Opening balance	Transfers received	Revaluation increase/ (decrease)	Total
Heritage assets	277,768,687	490,000	1,710,000	279,968,687

Pledged as security

No heritage assets has been pledged as security for any financial liability.

Revaluations

Heritage assets

The effective date of the revaluation was 30 June 2017. Revaluations were performed by independent professionally qualified valuers who hold a recognised professional qualification and have recent experience in the locations and categories of the properties valued.

The values of the properties were determined based on the market values and the information obtained from the deeds office.

The valuation was performed after the following factors were taken into account:

- the useful life of the asset;
- the condition of the asset; and
- the location of the asset.

During the 2017 financial year one of the heritage assets of the entity sustained fire damage and as a result has been impaired. In determining the value of the impairment, the entity has adopted the restoration cost approach as per GRAP 21. A restoration cost of R50,000,000 has been estimated by the entity's insurers.

The impairment loss calculated on the asset has been treated as a revaluation decrease and reversed against the revaluation reserve for assets carried at revalued amounts.

The revaluation amounting to R 1,710,000 in the 2018 financial year was due to the reclassification of the Arthur Nathan swimming pool from PPE to Heritage assets.

Heritage assets in the process of being constructed or developed

No heritage assets are in the process of being constructed or developed.

Deemed costs

Deemed cost was determined using depreciated replacement cost.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand		2019	2018		
16. Investments in controlled entities					
Name of company	Held by	% holding 2019	% holding 2018	Carrying amount 2019	Carrying amount 2018
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100.00 %	100.00 %	100	100
A company, Centlec (SOC) Limited, of which Mangaung Metropolitan Municipality is the sole shareholder, was formed to take over all activities in respect of the supply of electricity for their own account.					
17. Non-current receivables					
Designated at fair value					
2535 Unlisted shares - OVK Limited				37,022	35,558
2573 Unlisted shares - OVK Limited				40,267	39,110
3685 Unlisted shares - Senwes Ltd				26,859	25,313
				104,148	99,981
At amortised cost					
Housing and erven selling schemes				12,507,581	12,438,305
Loans were granted to qualifying individuals and public organisations in terms of the housing program. These loans attract interest of between 6% and 14% per annum and are repayable on a monthly basis by way of salary deductions for officials and six monthly payments for public organisations over a period of 20 years.					
Cricket stadium				7,258,724	8,127,615
The entity has a contract with the Free State Cricket Union for the purchase of the cricket stadium. The loan bears interest at 10% per annum and is repayable on an annual basis over 27 years ending 1 July 2022.					
Impairment - Housing and erven selling schemes				19,766,305	20,565,920
Impairment - Cricket stadium				(12,456,171)	(12,299,959)
				(7,258,724)	(8,127,615)
				51,410	138,346
Total other financial assets				155,558	238,327
Non-current assets					
Designated at fair value				104,148	99,981
At amortised cost				51,410	138,346
				155,558	238,327

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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17. Non-current receivables (continued)

Financial assets at fair value

Fair values of financial assets measured or disclosed at fair value

Class 1 - Unlisted shares	104,148	99,981
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Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 applies inputs which are not based on observable market data.

Level 3

Class 1 - Unlisted shares	104,148	99,981
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Financial assets at amortised cost

Financial assets at amortised cost past due but not impaired

Other non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2019, none of the non-current receivables were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Over 3 months	-	20,427,574
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Reconciliation of provision for impairment of financial assets at amortised cost

Impairment of Housing and erven selling schemes

Opening balance	12,299,959	12,161,352
Provision for impairment adjustment	156,212	138,607
	12,456,171	12,299,959

Impairment of Cricket stadium

Opening balance	8,127,615	8,741,638
Provision for impairment	(868,891)	(614,023)
	7,258,724	8,127,615

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

Financial assets pledged as collateral

None of the non-current receivables were pledged as security for any financial liability.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
18. Payables from exchange transactions		
Accrued bonus	36,775,877	32,089,532
Accrued leave pay	128,683,365	90,896,219
Claims - Unfair dismissal	4,879,817	4,879,817
Other Creditors	26,000	-
Other payables - Grants	979,450	979,450
Other payables - Salary related	68,514,702	63,212,668
Retentions	99,309,458	120,445,392
Trade payables	862,001,759	726,698,603
	1,201,170,428	1,039,201,681

The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 142 days (2018: 142 days).

During the financial year, the entity entered into a payment arrangement with Bloemwater for the payment of its arrear water account.

19. Payables from non-exchange transactions

Deposits	858,889	770,892
Other	2,416,377	2,151,474
Payments received in advance	283,016,008	260,624,523
	286,291,274	263,546,889

20. Consumer deposits

Water	33,349,144	33,940,745
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Guarantees in lieu of consumer deposits amounted to R 2,517,079 (2018: R 3,768,899).

Fair value hierarchy

For financial liabilities recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. The fair value hierarchy have the following levels:

- Level 1 represents those liabilities which are measured using unadjusted quoted prices in active markets for identical liabilities.
- Level 2 applies inputs other than quoted prices that are observable for the liabilities either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

Fair values of financial liabilities measured or disclosed at fair value

Level 1		
Water	33,349,144	33,940,745

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

City of Ghent - Youth development grant	481,950	481,950
Department of telecoms and postal services grant	1,133,554	1,133,554
Expanded public work programme incentive grant	1,963,000	-
Integrated city development grant	3,428,424	-
Municipal disaster recovery grant	139,630,132	-
Municipal human settlement capacity grant	2,000,000	2,000,000
Municipal systems improvement grant	1,055,000	-
Neighbourhood development grant	3,732,275	-
Public transport infrastructure grant	59,771,976	85,317,578
Sports, arts and culture - Admin libraries grant	710,188	627,315
Sustainable human settlement grant	1,595,782	1,595,782
Urban settlement development grant	243,576,206	238,579,148
	459,078,487	329,735,327

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
21. Unspent conditional grants and receipts (continued)		
The amounts will be recognised as revenue when conditions have been met.		
Refer to note 38 for reconciliation of grants from National/Provincial Government.		
22. Finance lease obligation		
Finance lease obligation	70,315,350	44,872,717
Minimum lease payments due		
- within one year	34,898,379	21,145,636
- in second to fifth year inclusive	45,209,027	32,143,393
	80,107,406	53,289,029
less: future finance charges	(9,792,056)	(8,416,312)
Present value of minimum lease payments	70,315,350	44,872,717
Present value of minimum lease payments due		
- within one year	28,654,747	15,991,309
- in second to fifth year inclusive	41,660,603	28,881,408
	70,315,350	44,872,717
Non-current liabilities	41,660,603	28,881,408
Current liabilities	28,654,747	15,991,309
	70,315,350	44,872,717
The entity leases various equipment and vehicles under finance leases. The maximum lease term is between 2 and 5 years and the average borrowing rate is between 9% and 15%. Leases are not renewed automatically upon expiry, unless otherwise instructed by the entity.		
No arrangements have been entered into for contingent rent.		
The entity did not default on any of the finance lease obligations, whether it be on the capital or interest portion.		
None of the terms attached to the existing finance lease obligations were renegotiated.		
The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 13.		
23. Borrowings		
At amortised cost		
DBSA - FS1034/01	112,439,845	120,690,447
DBSA - FS1034/02	31,904,514	34,969,692
DBSA - 6100 7294	241,645,066	266,779,287
Standard Bank - Loan 33714314	223,488,090	248,193,557
ABSA - Loan	417,687,066	453,647,268
	1,027,164,581	1,124,280,251
Total borrowings	1,027,164,581	1,124,280,251
These loans are from ABSA, The Development Bank of South Africa and Standard Bank of South Africa Limited. Repayments are made either monthly or on a six monthly basis. The final loan will be redeemed at 30 October 2027 and the loans bear interest between 6% and 14%.		
Non-current liabilities		
At amortised cost	868,583,041	976,664,271
Current liabilities		
At amortised cost	158,581,540	147,615,980

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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23. Borrowings (continued)

Defaults and breaches

The following loans were in default as a result of not meeting capital repayment requirements as per the contractual arrangements.

All the loans were remedied through payment of the accrued capital and interest amounts on the 10th July 2019. There were no renegotiations of the borrowing required.

Loans	Carrying amount as at 30 June 2019	Principal paid	Interest paid	Payment after 30 June 2019
DBSA - FS1034/01	112,439,845	817,111	1,077,674	1,894,785
DBSA - FS1034/02	31,904,514	278,170	164,089	442,259
DBSA - 61007294	241,645,066	12,940,623	12,138,430	25,079,053
	385,989,425	14,035,904	13,380,193	27,416,097

Notes to the Annual Financial Statements

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24. Provisions

Rehabilitation of landfill sites	237,366,838	209,514,769
Rehabilitation of quarry sites	398,550,154	339,008,802
	635,916,992	548,523,571

Reconciliation of provisions - 2019

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	209,514,769	27,852,069	237,366,838
Rehabilitation of quarry sites	339,008,802	59,541,352	398,550,154
	548,523,571	87,393,421	635,916,992

Reconciliation of provisions - 2018

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	196,335,873	13,178,896	209,514,769
Rehabilitation of quarry sites	319,792,341	19,216,461	339,008,802
	516,128,214	32,395,357	548,523,571

Non-current liabilities	178,043,636	178,043,636
Current liabilities	457,873,356	370,479,935
	635,916,992	548,523,571

Rehabilitation of landfill sites

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2019 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the landfill sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 12.074% (2018: 1.66%) for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2116
Northern Landfill Site	2020
Southern Landfill Site	2037
Van Stadensrus Landfill Site	2033
Wepener Landfill Site	2034
Dewetsdorp	2019
Soutpan/Ikgomotseng Landfill site	2023

The final restoration of landfill sites are expected to be in the year listed above, being the estimated useful lives of landfill sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Mangaung Metropolitan Municipality

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24. Provisions (continued)

Rehabilitation of quarry sites

The provision for rehabilitation of quarry sites relates to the legal obligation to rehabilitate quarry sites to a condition whereby it complies to the permit requirements issued in terms of the Mineral and Petroleum Resources Development Act, (Act 28 of 2002). The provision was determined by an independent expert for the rehabilitation cost in 2019 and then approximated the expected future cash flows using reasonable estimation techniques. The discount rate used for all the quarry sites is based on a CPA rate that matures as close as possible to the future date of the rehabilitation, the rate is 12.074% (2018: 1.65%) for the circumstances of the entity.

Quarries consists of:

Restoration date:

Bloemfontein

Cecelia	2019
Sunnyside	2019
Kgotsoong	2019
Ipopeng	2019
Chris Hani	2019
Caleb Motsoabi	2019
N1	2019

Botshabelo

K-Section	2019
F1-Section	2019
F2.1-Section	2019
F2.2-Section	2019
W-Section	2019
S-Section	2019
B-Section	2019

Thaba Nchu

Seroala	2019
Thubisi	2019
Putsane	2019
Merino	2019
Rhakoi	2019
Sediba	2019
Rooibult	2019
Kgalala	2019
Baraclava 1	2019
Baraclava	2019
Bultfontein 3	2019
Modutung	2019
Talla	2019
Nogas Post	2019

The final restoration of quarry sites are expected to be in the year listed above, being the estimated useful lives of quarry sites. No uncertainties were listed in the engineer's report. The certainty and the timing of the outflow of these liabilities are uncertain and the amounts disclosed are the possible outflow amounts.

Notes to the Annual Financial Statements

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25. Employee benefit obligations

Defined benefit plan

The defined benefit liability as disclosed below is represented by three different post-employment benefits. None of the benefits set out below are externally funded.

Post retirement medical aid plan

Active members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of an active member is entitled to a 60% subsidy of their contributions. This proportion of the subsidy will continue to be paid in the event of the principal member's death.

Continuation members receive a fixed subsidy of 60% of medical aid contributions during the current working year, up to a specified maximum employer contribution. The spouse or adult dependant of a continuation member is entitled to a 60% subsidy of their contributions.

Pension benefits

Pension gratuities are payable to retired employees and pensioners who were in service of the council on or before 1 October 1981, who did not qualify to be members of the Free State Joint Municipal Pension Fund or Free State Local Government Pension Fund, or who were not members of a pension fund by this date, with 20 years of uninterrupted service and a minimum retirement age of 60 years have been obtained.

Long service award

Long service awards are payable to qualifying in-service employees. The leave benefits are in accordance with paragraph 11 of the South African Local Government Bargaining Council (SALGBC) collective agreement on conditions of service for the Free State division of SALGBC.

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	538,815,163	500,661,035
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Changes in the present value of the defined benefit obligation are as follows:

Opening balance	500,661,035	825,686,000
Interest costs	46,451,779	84,930,000
Current service costs	26,684,911	34,233,000
Benefits paid	(27,536,802)	(25,111,000)
Actuarial (gains)/losses	(7,445,760)	(419,076,965)
	538,815,163	500,661,035

Changes in present value of defined benefit obligation

2016	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2015	4,934,000	557,178,000	80,482,000	642,594,000
Interest cost	405,000	53,241,000	6,728,000	60,374,000
Current service cost	47,000	27,719,000	8,491,000	36,257,000
Benefits paid	(322,000)	(9,138,000)	(6,482,000)	(15,942,000)
Actuarial (gains)/losses	(247,000)	(2,563,000)	3,198,000	388,000
	4,817,000	626,437,000	92,417,000	723,671,000
2017	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2016	4,817,000	626,437,000	92,417,000	723,671,000
Incorporation of the former Naledi Local Municipality	-	1,027,000	2,652,000	3,679,000
Interest cost	452,000	58,835,000	7,592,000	66,879,000
Current service cost	(1,020,000)	45,058,000	2,152,000	46,190,000
Benefits paid	(114,000)	(10,680,000)	(7,291,000)	(18,085,000)
Actuarial (gains)/losses	(372,000)	(2,661,000)	6,385,000	3,352,000
	3,763,000	718,016,000	103,907,000	825,686,000

Notes to the Annual Financial Statements

Figures in Rand	2019	2018		
25. Employee benefit obligations (continued)				
2018	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2017	3,763,000	718,016,000	103,907,000	825,686,000
Interest cost	362,000	77,211,000	7,357,000	84,930,000
Current service cost	1,118,000	17,342,000	15,773,000	34,233,000
Benefits paid	(503,000)	(9,276,000)	(15,332,000)	(25,111,000)
Actuarial (gains)/losses	(2,397,848)	(401,482,476)	(15,196,641)	(419,076,965)
	2,342,152	401,810,524	96,508,359	500,661,035
2019	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2018	2,342,152	401,810,524	96,508,359	500,661,035
Interest cost	179,117	38,634,213	7,638,449	46,451,779
Current service cost	-	17,068,182	9,616,729	26,684,911
Benefits paid	(275,952)	(11,960,432)	(15,300,418)	(27,536,802)
Actuarial (gains)/losses	36,438	(7,088,805)	(393,393)	(7,445,760)
	2,281,755	438,463,682	98,069,726	538,815,163
Estimated future contributions	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2019	2,281,755	438,463,682	98,069,726	538,815,163
Interest cost	155,741	41,031,448	7,171,254	48,358,443
Current service cost	-	17,039,615	9,273,917	26,313,532
Benefits paid	(290,016)	(13,411,651)	(14,400,965)	(28,102,632)
	2,147,480	483,123,094	100,113,932	585,384,506
26. FRESHCO liability				
FRESHCO Liability			191,903,926	206,031,823

The entity has entered into an agreement with the Free State Social Housing Company (FRESHCO), a section 21 company, to implement and pursue a programme of Social Housing suitable for low to medium income households. The agreement commenced on 1 February 2010 and shall be terminated on 31 January 2033 unless both parties agree to extend the agreement period. The entity charges FRESHCO a nominal rental amount on a monthly basis which escalates by 5% annually. The rental amount is included in note 34 – Rental of facilities and equipment.

In terms of the agreement, FRESHCO will refurbish and maintain 351 existing municipal flats and build 592 additional flats in the suburb called Brandwag. This will remain the property of the entity. The entity will provide municipal infrastructure where these are not currently in existence. FRESHCO will utilise a portion of the rental income earned from renting out these properties to maintain and refurbish these flats.

The amount is recognised as revenue over the period of the agreement upon completion of the assets.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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27. Land availability liability

Hillside view	394,864,380	330,659,969
Vista Park 2	4,186,644	-
	399,051,024	330,659,969

The entity has entered into agreements with developers to implement and pursue a programme of land development which will provide infrastructure and housing suitable for low to medium income households.

Hillside view:

The agreement commenced on 10 July 2014 and shall be terminated on 31 October 2032, unless both parties agree to extend the agreement period.

In terms of the agreement, the developer will develop 762 erven in Mangaung Extension 34, and 1580 erven in Mangaung Extension 35. This development will be known as the Hillside Development.

The land shall remain the property of the entity throughout the development. Upon completion of development, the entity shall retain 30% of the single residential erven within the development, and the infrastructure services.

The developer shall be entitled to sell the remaining developed and serviced erven to third parties, and will retain the proceeds of these sales as compensation for the developed assets retained by the entity.

The developer shall contribute to the bulk infrastructure installations within the development and shall provide a contribution for the land, upon sale to the third parties.

The revenue from these sales will be recognised upon transfer to the third party, and the related liability shall be derecognised.

The buildings retained by the entity shall be capitalised throughout the development process.

Vista Park 2:

Additional text

28. Revaluation reserve

Opening balance	948,965,140	977,653,170
Revaluation of assets	289,355	1,356,260
Realisation of revaluation reserve - through depreciation	(23,782,188)	(30,044,290)
Realisation of revaluation reserve - through disposal	(22,964)	-
	925,449,343	948,965,140

There are no restrictions on the distribution of the revaluation reserve.

29. Self insurance reserve

Opening balance	5,000,000	5,000,000
Contributions received	5,094,475	160,822
Insurance claims processed	(94,475)	(160,822)
	10,000,000	5,000,000

30. COLD reserve

Opening balance	16,690,714	14,482,139
Contributions received	5,450,081	3,643,518
Insurance claims processed	(1,218,545)	(1,434,943)
	20,922,250	16,690,714

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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31. Revenue

Service charges	1,242,813,818	1,115,247,720
Rental of facilities and equipment	45,993,141	44,942,965
Fair value adjustments	3,777,387	-
Actuarial gains	7,445,760	419,076,965
Other income from exchange transactions	71,053,745	68,719,965
Interest received from exchange transactions	433,355,318	350,174,784
Dividends received	1,420	4,087
Gain on derecognition of assets	1,000	18,273,426
Property rates	1,209,977,460	1,158,216,167
Government grants & subsidies	1,871,199,842	1,864,149,574
Public contributions and donations	1,397,194	277,659,145
Fines, penalties and forfeits	58,210,022	5,668,375
Interest received from non-exchange transactions	69,751,900	41,774,948
	5,014,978,007	5,363,908,121

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,242,813,818	1,115,247,720
Rental of facilities and equipment	45,993,141	44,942,965
Gain on derecognition of assets	1,000	18,273,426
Fair value adjustments	3,777,387	-
Actuarial gains	7,445,760	419,076,965
Other income from exchange transactions	71,053,745	68,719,965
Interest received from exchange transactions	433,355,318	350,174,784
Dividends received	1,420	4,087
	1,804,441,589	2,016,439,912

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	1,209,977,460	1,158,216,167
Transfer revenue		
Government grants & subsidies	1,871,199,842	1,864,149,574
Public contributions and donations	1,397,194	277,659,145
Fines, penalties and forfeits	58,210,022	5,668,375
Interest received from non-exchange transactions	69,751,900	41,774,948
	3,210,536,418	3,347,468,209

32. Service charges

Sale of water - Conventional meters	756,641,825	681,679,218
Sale of water - Prepaid meters	41,220,347	22,998,374
Sewerage and sanitation charges	323,382,930	300,459,125
Refuse removal	120,875,772	109,493,017
Other service charges	692,944	617,986
	1,242,813,818	1,115,247,720

33. Rental of facilities and equipment

Facilities and equipment		
Rental of facilities	44,671,361	43,595,645
Rental of equipment	1,321,780	1,347,320
	45,993,141	44,942,965

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
34. Other income from exchange transactions		
Advertising	2,291,551	7,397,461
Building plan fees	5,635,138	5,856,668
Clearance certificates	2,381,677	2,143,722
Commission - Fresh produce market	23,954,183	23,391,929
Entrance fees	1,343,670	1,329,508
Grave plots	3,438,295	3,433,967
Insurance collection	4,514,269	3,324,371
Parking	1,329,788	1,325,540
Reimbursements	-	750,000
Sale of tender documents	1,284,575	1,821,347
Service concession revenue*	16,512,837	9,649,099
Sundry income	4,966,365	3,735,590
Training	3,401,397	4,560,763
	71,053,745	68,719,965

* The service concession revenue relates to the revenue recognised from the Land availability liability. Refer to note 27 for further details.

35. Interest, dividends and rent on land

Dividend revenue

Unlisted financial assets - Local	1,420	4,087
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Interest revenue

Centlec (SOC) Limited - Shareholders loan	164,965,040	151,032,309
Centlec (SOC) Limited - Capital advances	8,109,467	9,243,943
Centlec (SOC) Limited - Intercompany loan	50,934,642	(2,506,122)
Interest earned on cash and cash equivalents	16,456,595	20,280,379
Interest charged on consumer and other receivables from exchange transactions	191,797,382	169,366,638
Interest charged on consumer and other receivables from non-exchange transactions	69,751,900	41,774,948
Interest charged on non-current receivables	619,296	702,957
Sale of erven	470,624	2,052,487
Rent on land	2,272	2,193
	503,107,218	391,949,732
	503,108,638	391,953,819

36. Fair value adjustments

Investment property (Fair value model)	3,773,218	(18,071,428)
Non-current financial assets at fair value	4,169	5,203
	3,777,387	(18,066,225)

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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37. Property rates

Rates received

Residential and business / commercial	962,468,282	911,212,768
Government	247,509,178	247,003,399
	1,209,977,460	1,158,216,167

Valuations

Residential	67,983,442,143	67,533,088,917
Commercial	21,322,728,293	21,633,104,283
Government	13,527,418,019	13,364,844,096
Municipal	4,315,506,158	4,328,270,158
	107,149,094,613	106,859,307,454

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2017. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The first R 80,000 of the rateable value of residential property is exempted from taxes, including properties which are zoned for the purpose of town houses and flats, as well as smallholdings and farms used solely for residential and agricultural purposes.

In respect of qualifying senior citizens and disabled persons, the first R 250,000 of the rateable value of their residential properties is exempted from rates subject to the property value not exceeding R 2,000,000.

2019:

From 1 July 2018 the basic rates were adjusted as follows:

- R0.001873 on the value of rateable farm property
- R0.007491 on the value of rateable residential property
- R0.030770 on the value of rateable government property
- R0.030770 on the value of rateable business/commercial property
- R0.001873 on the value of public service infrastructure

2018:

From 1 July 2017 the basic rates were adjusted as follows:

- R0.001750 on the value of rateable farm property
- R0.007001 on the value of rateable residential property
- R0.028757 on the value of rateable government property
- R0.028757 on the value of rateable business/commercial property
- R0.001750 on the value of public service infrastructure

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
38. Government grants and subsidies		
Operating grants		
Equitable share	683,500,000	630,908,000
Fuel levy	308,296,000	292,971,000
Finance management grant	3,345,000	3,645,000
National electrification programme grant	15,450,000	20,000,000
Sports, arts and culture - Admin libraries grant	1,917,128	2,000,000
Municipal demarcation grant	-	9,912,048
Expanded public works programme incentive grant	460,000	7,629,000
Public transport infrastructure and network system grant	-	69,121,878
Municipal disaster recovery grant	99,403,868	-
	1,112,371,996	1,036,186,926
Capital grants		
Urban settlement development grant	542,413,124	706,072,958
Public transport infrastructure and network systems grant	203,519,697	101,099,311
Integrated city development grant	3,778,576	12,264,477
Neighbourhood development grant	9,116,449	5,525,902
Telecoms and postal	-	3,000,000
	758,827,846	827,962,648
	1,871,199,842	1,864,149,574
Equitable Share		
Current year receipts	683,500,000	630,908,000
Conditions met - transferred to revenue	(683,500,000)	(630,908,000)
	-	-
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.		
Fuel levy		
Current-year receipts	308,296,000	292,971,000
Conditions met - transferred to revenue	(308,296,000)	(292,971,000)
	-	-
The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.		
City of Ghent - Youth development grant		
Balance unspent at beginning of year	481,950	481,950
Conditions still to be met - remain liabilities (see note 21).		
The grant is given by the City of Ghent for youth development.		
Finance management grant		
Current-year receipts	3,345,000	3,645,000
Conditions met - transferred to revenue	(3,345,000)	(3,645,000)
	-	-
The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.		

Mangaung Metropolitan Municipality

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38. Government grants and subsidies (continued)

Municipal human settlement capacity grant

Balance unspent at beginning of year	2,000,000	-
Current-year receipts	-	2,000,000
	2,000,000	2,000,000

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to build capacity in municipalities to deliver and subsidise the operational costs of administering human settlement programmes.

National electrification programme grant

Current-year receipts	15,450,000	20,000,000
Conditions met - transferred to revenue	(15,450,000)	(20,000,000)
	-	-

The grant is used to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and the rehabilitation of electrification infrastructure. The grant was transferred to Centlec (SOC) Limited.

Sports, arts and culture - Admin libraries

Balance unspent at beginning of year	627,315	627,315
Current-year receipts	2,000,000	2,000,000
Conditions met - transferred to revenue	(1,917,127)	(2,000,000)
	710,188	627,315

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to fund the administration of public libraries within the Mangaung Metropolitan Municipality area.

Municipal demarcation transition grant

Balance unspent at beginning of year	-	8,431,226
Current-year receipts	-	4,566,000
Conditions met - transferred to revenue	-	(9,644,243)
Surrendered to National Treasury	-	(3,352,983)
	-	-

The purpose of the grant is to subsidise the additional institutional and administrative costs arising from major boundary changes that took effect at the time of the 2016 local government elections.

Expanded public works programme incentive grant

Balance unspent at beginning of year	-	3,293,070
Current-year receipts	2,423,000	7,629,000
Conditions met - transferred to revenue	(460,000)	(7,629,000)
Surrendered to National Treasury	-	(3,293,070)
	1,963,000	-

The purpose of the grant is to expand work creation efforts through the use of labour incentives delivery methods in identified focus areas, in compliance with Expanded Public Works Programme (EPWP) guidelines.

Notes to the Annual Financial Statements

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38. Government grants and subsidies (continued)

Municipal systems improvement grant

Current-year receipts	1,055,000	-
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Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to assist municipalities to perform their functions and stabilise institutional and governance systems as required in the Municipal System Act, the Municipal Rates Act and related legislation

Municipal disaster recovery grant

Current-year receipts	239,034,000	-
Conditions met - transferred to revenue	(99,403,868)	-
	139,630,132	-

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to assist municipalities that have been severely impacted by the drought with the reconstruction and rehabilitation of municipal infrastructure.

Urban settlement development grant

Balance unspent at beginning of year	238,579,148	82,229,207
Current-year receipts	706,402,000	861,307,000
Conditions met - transferred to revenue	(542,413,123)	(704,957,059)
Surrendered to National Treasury	(158,991,819)	-
	243,576,206	238,579,148

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

During the current year R49,814,000 were withheld due to slow implementation of projects. The grant was subsequently forfeited.

Public transport infrastructure and network systems grant

Balance unspent at beginning of year	85,317,578	22,228,517
Current-year receipts	234,831,000	231,637,000
Conditions met - transferred to revenue	(203,519,697)	(168,547,939)
Surrendered to National Treasury	(56,856,905)	-
	59,771,976	85,317,578

Conditions still to be met - remain liabilities (see note 21).

The grant is allocated to the entity to improve public transport infrastructure and systems, in accordance with agreed project plans.

Integrated city development grant

Balance unspent at beginning of year	-	4,858,068
Current-year receipts	7,207,000	8,224,000
Conditions met - transferred to revenue	(3,778,576)	(13,082,068)
	3,428,424	-

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to provide a financial incentive for metropolitan municipalities to achieve a more compact urban spatial form through integrating and focusing their use of available infrastructure investment and regulatory instruments.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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38. Government grants and subsidies (continued)

Neighbourhood development grant

Balance unspent at beginning of year	-	36,080,946
Current-year receipts	13,000,000	5,000,000
Conditions met - transferred to revenue	(9,116,449)	(4,999,999)
Surrendered to National Treasury	(151,276)	(36,080,947)
	3,732,275	-

Conditions still to be met - remain liabilities (see note 21).

This grant is to be used for the development of urban network plans, to improve the quality of life and access of residents in under-served neighbourhoods.

During the prior year R10,000,000 was withheld by National Treasury due to slow implementation of the projects related to the grant.

Department of telecoms and postal services

Balance unspent at beginning of year	1,133,554	4,133,554
Conditions met - transferred to revenue	-	(3,000,000)
	1,133,554	1,133,554

Conditions still to be met - remain liabilities (see note 21).

The purpose of the grant is to develop information and communication technology (ICT) policies and legislation that create favourable conditions for accelerated and shared sustainable economic growth that positively impacts on the wellbeing of all South Africans.

Sustainable human settlement grant

Balance unspent at beginning of year	1,595,782	1,595,782
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Conditions still to be met - remain liabilities (see note 21).

The grant is used to supplement the capital revenues of metropolitan municipalities in order to support the national human settlements development programme, focusing on poor households.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 16 of 2019), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

39. Public contributions and donations

Capital public contributions, donations and asset gains*	1,397,194	277,659,145
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*During the prior year the Dr. Petrus Molemela Stadium, formerly known as Seisa Ramabodu Stadium were officially transferred to the entity.

40. Fines, penalties and forfeits

Unclaimed deposits and stale cheques	5,204,409	1,280,387
Fines	53,005,613	4,387,988
	58,210,022	5,668,375

Mangaung Metropolitan Municipality

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Figures in Rand	2019	2018
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41. Employee related costs

Basic salaries and wages	1,062,508,151	990,514,174
Contributions to Medical aid	82,888,466	78,238,458
Contributions to Pension funds	155,812,816	148,675,738
Contributions to UIF	6,495,821	6,457,067
Housing benefits and allowances	4,714,594	4,385,459
Leave pay	54,972,915	30,660,805
Defined contribution plan - Current service costs	26,684,911	34,233,000
Overtime, shift and standby allowances	190,465,541	151,206,883
Travel, motor car, accommodation, subsistence and other allowances	112,398,746	106,086,646
	1,696,941,961	1,550,458,230

Remuneration of Accounting Officer (Adv TB Mea)

Annual Remuneration	1,777,267	1,496,049
Car and other allowances	355,500	602,920
Contributions to UIF, Medical and Pension Funds	323,907	312,048
	2,456,674	2,411,017

Remuneration of Chief Financial Officer - (S Mofokeng)

Annual Remuneration	641,626	-
Car and other allowances	285,857	-
Contributions to UIF, Medical and Pension Funds	35,207	-
	962,690	-

The official acted in the position from 8 December 2018 to 29 April 2019 on which date he was appointed to the position.

Remuneration of Acting Chief Financial Officer (KS Rapulungane)

Annual Remuneration	419,854	181,335
Car and other allowances	254,270	33,200
Contributions to UIF, Medical and Pension Funds	91,201	33,676
	765,325	248,211

The official acted in the position from 26 April 2018 to 7 December 2018.

Remuneration of the Chief Financial Officer (EM Mohlahlo)

Annual Remuneration	-	1,099,215
Car and other allowances	-	366,000
Contributions to UIF, Medical and Pension Funds	-	48,441
	-	1,513,656

The former Chief Financial Officer resigned effective 26 April 2018.

Remuneration of Executive Director - Corporate Services (DSR Nkaiseng)

Annual Remuneration	1,192,776	687,010
Car and other allowances	447,593	151,200
Contributions to UIF, Medical and Pension Funds	259,689	139,420
	1,900,058	977,630

The official was appointed as Executive Director - Corporate Services from 1 December 2017.

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41. Employee related costs (continued)

Remuneration of Executive Director - Corporate Services (M Ramaema)

Annual Remuneration	-	240,809
Car and other allowances	-	336,798
Contributions to UIF, Medical and Pension Funds	-	52,324
	-	629,931

The former Executive Director - Corporate Services' contract expired on 31 August 2017.

Remuneration of Executive Director - Social Services (MG Nkungwana)

Annual Remuneration	1,389,717	1,398,730
Car and other allowances	199,200	316,655
Contributions to UIF, Medical and Pension Funds	312,300	212,170
	1,901,217	1,927,555

Remuneration of Executive Director - Economic and Rural Development (TA Maine)

Annual Remuneration	1,418,305	1,348,777
Car and other allowances	139,200	626,637
Contributions to UIF, Medical and Pension Funds	343,153	316,883
	1,900,658	2,292,297

Remuneration of Executive Director - Engineering (M Ndlovu)

Annual Remuneration	1,189,510	1,370,749
Car and other allowances	507,903	259,200
Contributions to UIF, Medical and Pension Funds	204,526	179,963
	1,901,939	1,809,912

Remuneration of Executive Director - Waste and Fleet Management (S More)

Annual Remuneration	1,831,276	1,718,169
Car and other allowances	54,200	255,383
Contributions to UIF, Medical and Pension Funds	20,674	21,499
	1,906,150	1,995,051

Remuneration of Executive Director - Head of Police (KI Kganyane)

Annual Remuneration	1,193,043	611,892
Car and other allowances	483,989	129,600
Contributions to UIF, Medical and Pension Funds	222,926	96,427
	1,899,958	837,919

The official was appointed as Head of Police from 1 December 2017.

Remuneration of Executive Director - Human Settlements and Housing (Adv MJN Phaladi)

Annual Remuneration	1,182,910	1,370,748
Car and other allowances	471,648	259,200
Contributions to UIF, Medical and Pension Funds	248,437	179,873
	1,902,995	1,809,821

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Figures in Rand	2019	2018
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41. Employee related costs (continued)

Remuneration of Executive Director - Planning (BS Mthembu)

Annual Remuneration	1,140,121	1,393,374
Car and other allowances	507,336	259,200
Contributions to UIF, Medical and Pension Funds	255,379	184,728
	1,902,836	1,837,302

42. Remuneration of councillors

Councillors allowance	44,891,451	42,838,086
Councillors medical aid contributions	585,967	503,721
Councillors pension contributions	1,762,162	1,632,554
Cell phone allowance	4,388,700	4,405,629
Housing allowance	65,247	56,246
Travel allowance	12,740,682	12,835,151
	64,434,209	62,271,387

In-kind benefits

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

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

Executive Mayor

Councillors allowance	1,350,250	1,298,317
Cell phone allowance	44,400	44,400
	1,394,650	1,342,717

Deputy Executive Mayor

Councillors allowance	692,163	655,365
Councillors pension contributions	103,824	95,765
Cell phone allowance	44,400	44,400
Medical aid contributions	17,280	17,280
Travel allowance	262,137	262,137
Housing allowance	18,000	18,000
	1,137,804	1,092,947

Speaker

Councillors allowance	772,825	811,739
Cell phone allowance	44,400	44,400
Medical aid contributions	17,280	17,280
Travel allowance	262,137	262,137
Housing allowance	38,247	38,246
	1,134,889	1,173,802

Chief Whip

Councillors allowance	673,581	646,462
Councillors pension contributions	101,037	94,324
Cell phone allowance	44,400	44,400
Medical aid contributions	17,280	2,880
Travel allowance	246,929	246,929
	1,083,227	1,034,995

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
42. Remuneration of councillors (continued)		
Mayoral committee members		
Councillors allowance	6,709,022	6,375,288
Councillors pension contributions	199,945	184,133
Cell phone allowance	399,600	399,600
Medical aid contributions	120,176	102,704
Travel allowance	2,222,357	2,218,510
	9,651,100	9,280,235
Councillors		
Councillors allowance	34,693,611	33,050,915
Councillors pension contributions	1,357,355	1,258,333
Cell phone allowance	3,822,600	3,828,429
Medical aid contributions	413,951	363,577
Travel allowance	9,747,124	9,845,439
Housing allowance	9,000	-
	50,043,641	48,346,693
43. Depreciation and amortisation		
Property, plant and equipment	819,797,379	743,046,893
Intangible assets	761,070	1,218,937
	820,558,449	744,265,830
44. Impairment of assets		
Impairments		
Property, plant and equipment	933,592	48,258,754
The recoverable amount of the asset was assessed at the end of the financial year and it was found to be less than the carrying amount of the asset and an impairment loss was raised.		
45. Finance costs		
Finance leases	5,416,783	3,399,934
Non-current borrowings	109,930,191	120,102,756
Employee benefit obligation	46,451,779	84,930,000
Trade and other payables	5,288,898	3,188,494
	167,087,651	211,621,184
46. Debt impairment and bad debt written off		
Debt impairment	468,571,748	403,311,355
Bad debts written off	349,974,014	70,380,966
	818,545,762	473,692,321
During the financial year, the write off amounting to R349,974,014 (2018: R70,380,966) related to the write off of indigent consumers' debt as at the date of registration on the indigent register.		
47. Bulk purchases		
Water	854,446,680	492,093,365

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
48. Contracted services		
Outsourced Services		
Burial services	1,614,272	2,718,323
Meter management services	6,644,921	19,553,497
Refuse removal services	6,278,790	40,175,450
Sewerage services	7,793,257	28,174,763
Consultants and Professional Services		
Business and advisory services	125,419,685	87,137,988
Infrastructure and planning services	2,324,173	13,005,723
Legal costs	38,924,447	63,261,995
Contractors		
Catering services	3,540,015	8,846,387
Gardening services	2,516,988	5,271,339
Repairs and maintenance	208,970,165	396,019,483
Safeguard and security services	59,218,809	92,771,307
Electrical	60,747,772	60,599,742
Other contracted services	14,661,799	28,943,271
	538,655,093	846,479,268
49. Grants and subsidies paid		
Grants paid to municipal entities		
National electrification programme grant	15,450,000	20,000,000
Other grants and subsidies paid		
Central agricultural society	25,846	24,545
Cricket	2,387,700	-
FRESHCO	-	1,900,773
Miscellaneous grants	4,246,254	2,543,649
	6,659,800	4,468,967
	22,109,800	24,468,967

National Electrification Programme Grant:

The grant is used to implement the programme by providing capital subsidies to licensed distributors to address the programme in order to mitigate the risk of load shedding and supply interruptions. The grant was transferred to Centlec (SOC) Limited.

Central Agricultural Society:

The payments to the society is for the maintenance of Council's property at the show grounds which are used in accordance with an agreement with the society.

FRESHCO:

On a special council meeting held on 21 September 2017, the Council resolved to pay the amount of R1,900,773 to the National Housing Finance Corporation (SOC) Ltd (NHFC) as assistance to FRESHCO in order to service their loan with NHFC.

Miscellaneous grants:

These grants are allocated mainly for ad hoc grants and the free use of Council facilities, as approved during the year.

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
50. General expenses		
Animal costs	1,953,887	1,760,914
Auditors remuneration	19,723,277	17,293,887
Bank charges and commissions	12,965,891	9,434,666
Bulk SMS services	-	1,556,664
Bursaries to employees	1,777,739	2,159,976
Chemicals	4,281,886	7,970,901
Consumables	11,281,154	18,961,585
Electricity	62,324,024	192,342,900
Fuel and oil	21,676,053	20,423,389
Indigent relief - Free electricity	21,111,639	19,183,191
Insurance	15,080,532	16,288,394
Inventory losses	1,697,513	572,998
Learnerships and internships	2,559,459	3,645,000
Marketing and advertising	3,998,881	3,801,520
Motor vehicle expenses	5,676,044	4,137,802
Operating lease expenditure	35,469,789	17,154,238
Postage and courier	9,079,178	10,566,043
Printing and stationery	4,914,081	4,970,086
Remuneration of ward committees	5,454,292	5,517,300
Royalties and license fees	17,701,566	14,613,223
Skills development levy	14,396,396	13,234,474
Subscriptions and membership fees	14,179,131	17,368,948
Sundry expenses	607,544	4,198,332
Telephone, fax and network charges	12,621,340	14,838,126
Title deed search fees	900,844	3,485,323
Transport and freight	2,664,347	3,484,405
Travel and subsistence	8,441,244	7,486,653
Uniforms and protective clothing	4,636,598	2,960,887
Water research	4,059,771	3,015,469
	321,234,100	442,427,294
51. Cash generated from operations		
(Deficit) surplus	(303,603,400)	395,362,361
Adjustments for:		
Depreciation and amortisation	820,558,449	744,265,830
Loss on sale of assets and liabilities	(1,000)	(18,273,426)
Gain on sale of assets	13,634,110	54,442,935
Fair value adjustments	(3,777,387)	18,066,225
Interest income	(173,074,507)	(160,276,252)
Finance costs	115,346,974	123,502,690
Impairment loss	933,592	48,258,754
Movements in retirement benefit assets and liabilities	38,154,128	(325,024,965)
Public contributions and donations	-	(276,512,079)
Unwinding of the Freshco liability	(14,127,896)	(13,829,272)
Unwinding of Land availability liability	(16,512,837)	(9,649,099)
Changes in working capital:		
Inventories	(23,061,455)	(9,817,592)
Other receivables from exchange transactions	12,166,395	(12,119,480)
Consumer receivables from exchange transactions	(67,073,900)	(104,415,904)
Consumer receivables from non-exchange transactions	(144,227,000)	(275,275,469)
Other receivables from non-exchange transactions	2,158,852	38,119,042
Payables from exchange transactions	161,968,751	(4,458,968)
VAT	(20,783,240)	(36,809,862)
Payables from non-exchange transactions	22,744,385	(27,031,919)
Unspent conditional grants and receipts	129,343,160	166,912,645
Centlec intercompany loan	234,404,743	478,924,065
	785,170,917	794,360,260

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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52. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure assets	115,107,778	85,756,097
• Other asset classes	37,019,522	60,663,839
	152,127,300	146,419,936

The capital expenditure will be financed from

• Unspent conditional grants	152,127,299	146,419,936
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Commitments are disclosed exclusive of VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	117,790	839,807
- in second to fifth year inclusive	-	117,790
	117,790	957,597

Operating lease payments represent rentals payable by the entity for certain of its office properties. Leases are negotiated for an average term of three to five years and rentals are fixed for an average of three years. The lease agreements have escalations of 8% to 10% per annum. There were no renewal purchase options. No contingent rent is payable.

Operating leases - as lessor (income)

Minimum lease payments due

- within one year	5,794,328	6,334,698
- in second to fifth year inclusive	21,636,043	24,121,561
- later than five years	28,927,319	32,041,096
	56,357,690	62,497,355

The entity leases various fixed properties under non-cancellable operating leases to various institutions. The lease agreements have escalations between 8 and 12% per year with the agreements varying between 2 to 50 years. Rental income, for these agreements, to the value of R 29,821,839 (2018: R 29,821,839) has been recognised in the Statement of Financial Performance during the year. Renewal options have been taken into account during the calculation of the deferred lease. There are no purchase options. There was no contingent rent during the year.

During the current year the lease register was recalculated as the following adjustment was made to the disclosure:

Decrease in receivable within 1 year	459,318
Decrease in receivable in second and fifth year inclusive	1,528,026
Increase in receivable later than five years	5,832,436

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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53. Contingencies

Contingent assets

Bloemwater dispute	313,600,131	-
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Bloemwater dispute:

During the year the entity lodged a dispute with Bloemwater relating to the raw water charges by Bloemwater which are not in terms of the service level agreement in place between the entity and Bloemwater.

Housing guarantees

The entity has provided housing guarantees for bonds of municipal officials. The certainty and the timing of the outflow of these guarantees are uncertain. The amounts disclosed below are the possible outflow amounts.

Housing guarantees	3,621,443	3,647,223
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Contingent liabilities

The entity is involved in the following pending claims. All the claims are being contested based on legal advice. The certainty and the timing of the outflow of these liabilities are uncertain. The amounts disclosed below are possible outflow amounts:

Probable legal costs to be incurred for various matters handled by various attorneys	13,938,054	6,167,929
Labour cases and employee related matters	5,000,000	9,000,000
Claims by individuals due to property damages in various incidents	125,000	175,000
Claims by individuals due to various incidents	91,696,429	95,959,717
Bloemwater dispute on the drought tariff charged	-	314,224,573
	110,759,483	425,527,219

During the current year the contingencies relating to Centlec (SOC) Limited were restated, refer to note 56 for details relating to the prior period error.

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

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54. Related parties		
Relationships		
Accounting Officer	Adv TB Mea	
Loans to Controlled entities	Centlec (SOC) Limited - Refer to note 16	
Related party balances		
Loan accounts - Owing (to) by related parties		
Centlec (SOC) Limited - Shareholders loan	1,071,479,158	1,071,479,158
Centlec (SOC) Limited - Capital advances	74,397,665	81,094,674
Centlec (SOC) Limited - Intercompany loan*	507,497,129	562,130,358
Investment in related parties		
Centlec (SOC) Limited	100	100
Related party transactions		
Interest paid to (received from) related parties		
Centlec (SOC) Limited - Shareholders loan	(164,965,040)	(151,032,309)
Centlec (SOC) Limited - Capital advances	(8,109,467)	(9,243,943)
Centlec (SOC) Limited - Intercompany loan*	(50,934,642)	(55,737,214)
Centlec (SOC) Limited - Intercompany loan - Contingent interest recognised*	-	58,243,336
Expenses paid to / (income received from) related parties		
Centlec (SOC) Limited - Grants paid - National electrification grant	15,450,000	20,000,000
Centlec (SOC) Limited - Grants paid - Free basic electricity**	18,059,761	17,723,123
Centlec (SOC) Limited - Hall rental***	-	(2,136)
Centlec (SOC) Limited - Streetlight electricity consumption*	70,911,055	63,778,138
Centlec (SOC) Limited - Streetlight electricity consumption - Contingencies recognised*	-	81,588,278
Centlec (SOC) Limited - Streetlight repairs and maintenance - Contingencies recognised*	-	53,762,028
Centlec (SOC) Limited - Municipal building electricity consumption* **	68,671,749	79,702,074
Centlec (SOC) Limited - Municipal building electricity consumption - Contingencies recognised*	-	48,764,093
Centlec (SOC) Limited - Capital advance redemption***	(6,697,009)	(6,942,876)
(Receipts) / Payments on behalf of related parties		
Centlec (SOC) Limited - Bank receipts	(30,054)	(2,427)
Centlec (SOC) Limited - Employee related costs***	-	109,563
Transfers made to / (Received from) related parties		
Centlec (SOC) Limited - Cash transfers***	(112,276,877)	(35,000,000)

During the current year a restatement was done relating to the transactions between the entity and Centlec (SOC) Limited with the following effect(s):

* Refer to note 56 for further detail on the correction of the prior period transaction(s).

** These balances were previously disclosed excluding VAT.

*** These balances were not disclosed in the the annual financial statements of the prior period.

Remuneration of key management

Councillors/Mayoral committee members

No transactions took place between the entity and councillors/mayoral committee members or their close family members during the reporting period. Details relating to remuneration of councillors are disclosed in note 42.

Executive management

No transactions took place between the entity and key management personnel or their close family members during the reporting period. Details relating to remuneration of key management are disclosed in note 41.

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55. Change in estimate

Property, plant and equipment

For the following classes of PPE, the remaining useful lives were adjusted to a minimum remaining useful life of 3 years. Residual value adjustments were also made to the residual values of fleet. The effect of the change has resulted in a decrease in depreciation of R35,219,094. It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

Depreciation 2017/18	-	124,886,538
Change in estimate	-	(35,219,094)
	-	89,667,444

Notes to the Annual Financial Statements

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56. Prior period errors

Prior period errors were identified during the current year and corrected in line with GRAP 3 - Accounting Policies, Changes in Accounting Policies and Errors.

The correction of the error(s) relating to line items disclosed in the statements of financial position, performance and cash flow statement results in adjustments as follows:

1. Prior period error - VAT not allowed

During the current year VAT input claims relating to the prior financial year were denied. The effect of the restatement is as follows:

Statement of financial position		
Decrease in VAT Payable	-	(1,021,424)
Statement of financial performance		
Increase in General expenses - Sundry expenditure	-	1,021,424
	-	-

2. Prior period error - Depreciation on swimming pools

During the current year it was noted that a mathematical error was made when accounting for the depreciation on swimming pools in the prior year. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated depreciation of PPE - Community assets	-	68,882
Statement of financial performance		
Decrease in Depreciation	-	(68,882)
	-	-

3. Prior period error - Unrecorded liabilities

During the prior year not all liabilities relating to suppliers were recorded. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(13,518,277)
Increase in VAT Receivable	-	1,374,360
Statement of financial performance		
Contracted services - Business and advisory services	-	209,265
Contracted services - Catering services	-	5,955
Contracted services - Legal costs	-	6,848,834
Contracted services - Gardening services	-	51,326
Contracted services - Meter management services	-	1,519,977
Contracted services - Other contracted services	-	68,197
Contracted services - Refuse removal	-	873,140
Contracted services - Repairs and Maintenance	-	1,718,655
General expenses - Bank charges and commissions	-	2,154
General expenses - Chemicals	-	129
General expenses - Consumables	-	7,051
General expenses - Fuel	-	408
General expenses - Printing and stationery	-	184,440
General expenses - Marketing	-	16,632
General expenses - Postage and courier	-	351,617
General expenses - Sundry expenses	-	90,620
General expenses - Telephone, fax and network charges	-	176,701
General expenses - Travel and subsistence	-	8,015
General expenses - Uniform and protective clothing	-	10,801
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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56. Prior period errors (continued)

4. Prior period error - Waste services not accrued

During the current year it was noted that services rendered in the prior year were not accrued for as the appropriate approval was not obtained. The item has been included in the irregular expenditure of the entity as disclosed in note 63. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions	-	(28,028,605)
Increase in VAT Receivable	-	1,553,970
Statement of financial performance		
Increase in Contracted services	-	26,474,635
	-	-

5. Prior period error - Fleet expenditure duplication

During the current year it was noted that accruals related to leases were duplicated. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	15,266,483
Statement of financial performance		
Decrease in General expenses - Operating lease expenditure	-	(15,266,483)
	-	-

6. Prior period error - Creditors duplication

During the current year it was noted that an accrual payment to a supplier was duplicated. The money has since been recovered from the supplier. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions	-	379,260
Increase in VAT Payables	-	(49,469)
Statement of financial performance		
Decrease in Contracted services - Legal fees	-	(329,791)
	-	-

7. Prior period error - Centlec

During the prior year the council resolved that the contingent items between Mangaung and its entity Centlec be settled in line with the council resolution. This post balance sheet event was however not recorded in the accounting records of the entity.

Also refer to notes 53 and 54 where these disclosures have been adjusted.

The effect of the restatement is as follows:

Statement of financial position		
Decrease in Centlec intercompany loan	-	(440,641,348)
Increase in VAT Receivable	-	22,910,113
Decrease in Payables from exchange transactions - Trade payables	-	76,161,390
Statement of financial performance		
Increase in General expenses - Electricity	-	137,411,003
Increase in Contracted services - Other contracted services	-	59,418,866
Decrease in Interest received from exchange transactions - Intercompany loan	-	97,580,302
Increase in Contracted services - Repairs and maintenance	-	47,159,674
	-	-

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2019	2018
56. Prior period errors (continued)		
8. Prior period error - Leased fleet		
During the current year it was noted that 3 leased trucks purchased through a finance lease transaction in the prior year were not recorded in the accounting records of the entity. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Finance lease obligation	-	(11,583,603)
Increase in the Cost of PPE - Fleet	-	11,583,603
Increase in the Accumulated depreciation of PPE - Fleet	-	(12,687)
Statement of financial performance		
Increase in Depreciation	-	12,687
	-	-
9. Prior period error - Deferred lease		
During the current year a mathematical error was noted in the lease register. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Other receivables from exchange transactions - Deferred lease	-	(62,033)
Statement of financial performance		
Increase in Rental of facilities and equipment	-	62,033
	-	-
10. Prior period error - Correction of project T1326B		
The accounting records for project T1326B were reviewed and it was noted that payemnts for the proejects was not accrued in the prior year when the project was capitalised. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Cost of PPE - Roads and roads related	-	6,067,031
Increase in Payables from exchange transactions - Trade payables	-	(6,977,085)
Increase in VAT Receivable	-	910,054
Increase in Accumulated depreciation of PPE - Roads	-	(73,142)
Statement of financial performance		
Increase in Depreciation	-	73,142
	-	-
11. Prior period error - Leave accrual		
During the current year it was noted that errors were contained in the leave accrual calculation register. The effect of the restatement is as follows:		
Statement of financial position		
Decrease in Payables from exchange transactions - Accrued leave pay	-	29,217,032
Increase in Other receivables from exchange transactions - Staff leave days receivable	-	2,056,888
Increase in Accumulated surplus	-	(29,085,563)
Statement of financial performance		
Increase in Employee related costs	-	(2,188,357)
	-	-
12. Prior period error - VAT Apportionment		
During the current year the VAT was recovered for the apportionment of the 2018 VAT. The effect of the restatement is as follows:		
Statement of financial position		
Increase in VAT Receivable	-	139,333
Statement of financial performance		
Decrease in General expenses - Sundry expenditure	-	(139,333)
	-	-

Mangaung Metropolitan Municipality

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Figures in Rand	2019	2018
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56. Prior period errors (continued)

13. Prior period error - Project T1322B

The accounting records for project T1322B were reviewed and corrected. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Roads and roads related	-	20,638,980
Decrease in Cost of PPE - Infrastructure WIP	-	(20,638,980)
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(817,153)

Statement of financial performance

Increase in Depreciation	-	817,153
	-	-

14. Prior period error - Furniture and office equipment

During the current year it was noted that equipment delivered in the prior year were not accounted for. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Other assets	-	20,553
Increase in Payables from exchange transactions - Trade payables	-	(23,430)
Increase VAT Receivable	-	2,877
Increase in Accumulated depreciation of PPE - Other assets	-	(43)

Statement of financial performance

Increase in Depreciation	-	43
	-	-

15. Prior period error - T1423

The accounting records for project T1423 were reviewed and corrected. The effect of the restatement is as follows:

Statement of financial position

Increase in Payables from exchange transactions - Trade payables	-	(2,577,973)
Increase in Payables from exchange transactions - Retentions	-	(12,315)
Increase in VAT receivable	-	336,257
Increase in Cost of PPE - Roads and roads related	-	315,559
Decrease in Accumulated depreciation - Roads and roads related	-	1,900,544

Statement of financial performance

Decrease in Depreciation	-	(478,464)
Increase in Loss on derecognition of PPE	-	516,392
	-	-

16. Prior period error - T1430A

The accounting records for project T1430A were reviewed and corrected. The effect of the restatement is as follows:

Statement of financial position

Increase in Payables from exchange transactions - Trade payables	-	(1,035,680)
Increase in Payables from exchange transactions - Retentions	-	(86,954)
Increase in VAT Receivable	-	135,073
Increase in Cost of PPE - Roads and roads related	-	987,561
Increase in Accumulated depreciation of PPE - Roads and roads related	-	(14,955)

Statement of financial performance

Increase in Depreciation	-	14,955
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
56. Prior period errors (continued)		
17. Prior period error - WIP Reclassification		
During the current year it was noted that WIP expenditure were incorrectly classified as Infrastructure WIP instead of Community WIP. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Cost of PPE - Community WIP	-	2,352,644
Decrease in Cost of PPE - Infrastructure WIP	-	(2,352,644)
	-	-
18. Prior period error - Water meters		
During the current year it was noted that the depreciation on water meters were not correctly calculated due to an error on the remaining useful life of the assets. Furthermore, certain costs were not included when water meter devices were capitalised. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Cost of PPE - Water meters	-	29,594,837
Increase in Accumulated surplus	-	(11,838,348)
Statement of financial performance		
Decrease in Depreciation	-	(11,938,023)
Decrease in Contracted services - Repairs and maintenance	-	(5,818,466)
	-	-
19. Prior period error - W1107		
The accounting records for project W1107 were reviewed and it was noted that repairs and maintenance expenditure were incorrectly included in the WIP register. The effect of the restatement is as follows:		
Statement of financial position		
Decrease in Cost of PPE - Infrastructure WIP	-	(1,788,225)
Statement of financial performance		
Increase in Contracted services - Repairs and maintenance	-	1,788,225
	-	-
20. Prior period error - W0901L		
The accounting records for project W0901L were reviewed and corrected. The effect of the restatement is as follows:		
Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(2,252,770)
Increase in Cost of PPE - Sanitation	-	2,252,770
Increase in Accumulated depreciation of PPE - Sanitation	-	(219,847)
Decrease in Accumulated surplus	-	153,748
Statement of financial performance		
Increase in Depreciation	-	66,099
	-	-
21. Prior period error - R0 values		
During the current year it was noted that certain assets were still in use and therefore an adjustment to the remaining useful lives were required. The effect of the restatement is as follows:		
Statement of financial position		
Decrease in Accumulated depreciation of PPE - Community - Other	-	550,586
Increase in Accumulated surplus	-	(734,115)
Statement of financial performance		
Increase in Depreciation	-	183,529
	-	-

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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56. Prior period errors (continued)

22. Prior period error - AC198

During the current year it was noted that the incorrect escalation of unit rates effected the cost and accumulated depreciation for deemed cost additions. The effect of the restatement is as follows:

Statement of financial position

Increase in Cost of PPE - Community Other	-	300,176
Increase in Cost of PPE - Sanitation	-	228,444
Increase in Cost of PPE - Water	-	13,564
Increase in Cost of PPE - Roads and roads related	-	654,240
Increase in Accumulated depreciation of PPE - Community Other	-	(2,735)
Increase in Accumulated depreciation of PPE - Sanitation	-	(1,629)
Increase in Accumulated depreciation of PPE - Water	-	(250)
Decrease in Accumulated depreciation of PPE - Roads and roads related	-	10,857
Increase in Accumulated surplus	-	(55,570)

Statement of financial performance

Decrease in Depreciation	-	(31)
Increase in Public contributions and donations	-	(1,147,066)

23. Prior period error - T1316B

The accounting records for project T1316B were reviewed and corrected. The effect of the restatement is as follows:

Statement of financial position

Increase in Payables from exchange transactions - Trade payables	-	(103,763)
Increase in Payables from exchange transactions - Retentions	-	(4,749)
Increase in VAT Receivable	-	13,534
Increase in Cost of PPE - Roads and roads related	-	94,977
Increase in Accumulated depreciation - Roads and roads related	-	(54,931)
Decrease in Accumulated surplus	-	36,738

Statement of financial performance

Increase in Depreciation	-	18,194
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24. Prior period error - Land availability

During the current year it was noted that the information provided by the contractors responsible for the development contained errors and needed to be adjusted. The effect of the adjustment is as follows:

Statement of financial position

Decrease in Inventory	-	(131,623,717)
Decrease in Infrastructure WIP	-	(10,000,000)
Decrease in Land availability liability	-	141,623,717

25. Prior period error - Asset accrual not reversed

During the current year it was noted that an accrual to the WIP register of the entity was not reversed in the prior year. The effect of the restatement is as follows:

Statement of financial position

Decrease in Payables from exchange transactions - Trade payables	-	935,464
Decrease in Cost of PPE - Infrastructure WIP	-	(935,464)

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Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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56. Prior period errors (continued)

26. Prior period error - Employee benefit obligation

During the prior year the actuarial valuation as required by GRAP, was not performed. The valuation was subsequently performed and adjusted in the accounting records of the entity. The effect of the restatement is as follows:

Statement of financial position

Decrease in Employee benefit obligations	-	356,236,481
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Statement of financial performance

Increase in Finance costs - Employee benefit obligation	-	84,930,000
Increase in Employee related costs - current service costs	-	3,021,484
Increase in Actuarial gain	-	(419,076,965)
Decrease in Employee related costs - Basic salaries and wages	-	(25,111,000)
	-	-

27. Prior period error - VAT on Grants

During the current year it was noted that the grants revenue recognised in the past did not take the VAT into account. The effect of the restatement is as follows:

Statement of financial position

Increase in Other receivables from non-exchange transactions - Grants receivable	-	113,213,241
Increase in Other receivables from non-exchange transactions - Grants receivable impairment	-	(110,447,975)
Increase in Unspent grants	-	(99,722,168)
Accumulated surplus	-	58,837,860

Statement of financial performance

Increase in Debt impairment and bad debt written off	-	40,884,308
Increase in Government grants & subsidies	-	(2,765,266)
	-	-

57. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At fair value	At amortised cost	Total
Non-current receivables	104,148	51,410	155,558
Centlec receivables	-	1,145,876,822	1,145,876,822
Centlec intercompany loan	-	507,497,129	507,497,129
Consumer receivables from exchange transactions	-	805,625,284	805,625,284
Consumer receivables from non-exchange transactions	-	685,067,543	685,067,543
Other receivables from non-exchange transactions	-	606,414	606,414
Other receivables from exchange transactions	-	60,119,025	60,119,025
Cash and cash equivalents	-	114,296,567	114,296,567
	104,148	3,319,140,194	3,319,244,342

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	1,027,164,580	1,027,164,580
Payables from exchange transactions	-	1,035,711,186	1,035,711,186
Payables from non-exchange transactions	-	286,291,274	286,291,274
Finance lease obligation	-	70,315,350	70,315,350
Consumer deposits	33,349,144	-	33,349,144
	33,349,144	2,419,482,390	2,452,831,534

2018

Financial assets

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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57. Financial instruments disclosure (continued)

	At fair value	At amortised cost	Total
Non-current receivables	99,981	138,346	238,327
Centlec receivables	-	1,152,573,832	1,152,573,832
Centlec intercompany loan	-	562,130,358	562,130,358
Consumer receivables from exchange transactions	-	738,551,384	738,551,384
Consumer receivables from non-exchange transactions	-	540,840,543	540,840,543
Other receivables from exchange transactions	-	72,285,420	72,285,420
Other receivables from non-exchange transactions	-	2,765,266	2,765,266
Cash and cash equivalents	-	154,291,374	154,291,374
	99,981	3,223,576,523	3,223,676,504

Financial liabilities

	At fair value	At amortised cost	Total
Borrowings	-	1,124,280,251	1,124,280,251
Payables from exchange transactions	-	916,215,930	916,215,930
Payables from non-exchange transactions	-	263,546,889	263,546,889
Finance lease obligation	-	44,872,718	44,872,718
Consumer deposits	33,940,745	-	33,940,745
	33,940,745	2,348,915,788	2,382,856,533

58. Risk management

Financial risk management

The entity's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk), credit risk and liquidity risk.

This note presents information about the entity's exposure to each of the financial risks below and the entity's objectives, policies and processes for measuring and managing the financial risks. Further quantitative disclosures are included throughout the annual financial statements.

The Council has overall responsibility for the establishment and oversight of the entity's risk management framework.

The entity's audit committee oversees the monitoring of compliance with the entity's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the entity. The audit committee is assisted in its oversight role by the entity's internal audit function.

The entity monitors and manages the financial risks relating to the operations of the entity through internal risk reports which analyse exposures by degree and magnitude of risks.

The entity seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Council. The policies provide written principals on interest rate risk, credit risk and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. The entity does not enter into or trade in financial instruments for speculative purposes.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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58. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

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

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

All of the entity's financial assets have been reviewed for indicators of impairment. Certain receivables were found to be impaired and a provision has been raised accordingly. The impaired receivables are mostly due from customers defaulting on service costs levied by the entity.

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

At 30 June 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	158,581,540	714,531,588	154,051,452
Finance lease obligations	28,654,747	41,660,603	-
Payables from exchange transactions	1,035,711,186	-	-
Payables from non-exchange transactions	286,291,274	-	-
At 30 June 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	147,615,980	669,931,252	306,733,019
Finance lease obligations	15,991,309	28,881,408	-
Payables from exchange transactions	916,215,930	-	-
Payables from non-exchange transactions	263,546,889	-	-

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its past payment performance, past experience and other factors.

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

Financial instrument	2019	2018
Cash and cash equivalents	114,296,567	154,291,374
Centlec receivables	1,145,876,822	1,152,573,832
Centlec intercompany loan	507,497,129	562,130,358
Consumer receivables from exchange transactions	805,625,284	738,551,384
Consumer receivables from non-exchange transactions	685,067,543	540,840,543
Other receivables from exchange transactions	60,119,025	72,285,420
Other receivables from non-exchange transactions	606,414	2,765,266
Non-current receivables - at fair value	104,148	99,981
Non-current receivables - at amortised cost	51,410	138,346

The entity is exposed to a number of guarantees for housing loans to employees. Refer to note 52 for additional details.

These balances represent the maximum exposure to credit risk.

There has been no change, since the previous financial year, to the entity's exposure to credit risks or the manner in which it manages and measures the risks.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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58. Risk management (continued)

Market risk

Interest rate risk

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

The entity's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates.

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

- Call, notice and fixed deposits
- Development Bank of South Africa, Standard Bank of South Africa Limited and ABSA loans
- Finance lease obligations

The entity's interest rate risk arises from long-term borrowings and finance leases. Borrowings and finance leases issued at variable rates expose the entity to cash flow interest rate risk.

Borrowings and finance leases issued at fixed rates expose the entity to fair value interest rate risk. Entity policy is to maintain the majority of its borrowings and finance leases in fixed rate instruments. During 2018 and 2017, the entity's borrowings and finance leases at variable rate were denominated in the Rand.

Foreign exchange risk

The entity does not enter into significant foreign currency transactions and has had very limited exposure to foreign currency risk.

The entity does not hedge foreign exchange fluctuations.

Price risk

The entity is exposed to equity securities price risk because of investments held by the entity and classified on the statement of financial position either as available-for-sale or at fair value through surplus or deficit. The entity is not exposed to commodity price risk.

59. 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.

We draw attention to the fact that at 30 June 2019, the entity had an accumulated surplus of R 12,523,216,902 and that the entity's total assets exceed its liabilities by R 13,479,588,495.

The entity had a deficit of R 303,603,400 (2018: surplus R 395,362,361) for the year. The current assets exceed the current liabilities by R438,118,478 (2018: R374,770,031).

The entity incurred material water losses, refer to note 64 for further detail.

The entity provided for material impairments for receivables from exchange and non-exchange transactions, refer to notes 4, 5, 6 & 7 for further details.

The entity experienced a negative cash movement during the current and prior year, refer to the Cash Flow Statement on page 9.

60. Events after the reporting date

At a council sitting on 30 August 2019, the council resolved that after an investigation performed, irregular expenditure to the value of R336,548,786 is regarded as irrecoverable and were written off.

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
61. Unauthorised expenditure		
Opening balance as previously reported	4,324,935,858	3,472,619,805
Opening balance as restated	4,324,935,858	3,472,619,805
Add: Unauthorised expenditure - prior period	-	108,279,588
Add: Unauthorised expenditure - current period	1,363,962,321	852,316,053
Less: Amount written off by Council on 31 August 2018	-	(108,279,588)
Less: Amount written off by Council on 4 December 2018	(3,420,116,584)	-
Closing balance	2,268,781,595	4,324,935,858

Unauthorised expenditure were written off by Council on 4 December 2018.

Incidents identified 2018/19

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Corporate services	None	80,473,293	-	80,473,293
Overspending by Engineering services	None	356,585,726	-	356,585,726
Overspending by Executive Mayor	None	2,007,003	-	2,007,003
Overspending by Miscellaneous Services	None	164,186,060	-	164,186,060
Overspending by Naledi infrastructure	None	2,614,199	-	2,614,199
Overspending by Strategic Projects and Service Delivery Regulations	None	10,200,111	-	10,200,111
Overspending by Water services	None	663,908,445	-	663,908,445
Overspending by Waste & Fleet management	None	45,165,711	-	45,165,711
Overspending by Social Services	None	38,821,773	-	38,821,773
		1,363,962,321	-	1,363,962,321

Incidents identified 2017/18

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Unauthorised expenditure related to the prior year	Written off*	108,279,588	(108,279,588)	-
Overspending by Executive Mayor	None	7,893,535	-	7,893,535
Overspending by Corporate services	None	75,409,774	-	75,409,774
Overspending by Social services	None	35,105,144	-	35,105,144
Overspending by Engineering services	None	206,441,966	-	206,441,966
Overspending by Water services	None	381,138,360	-	381,138,360
Overspending by Waste and fleet management services	None	38,697,148	-	38,697,148
Overspending by Human settlement and housing	None	43,855,269	-	43,855,269
Overspending by Economic and rural development	None	3,774,857	-	3,774,857
		900,595,641	(108,279,588)	792,316,053

* Written off by Council on 31 August 2018.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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61. Unauthorised expenditure (continued)

Incidents identified 2016/17

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Engineering services	*	326,486,669	(326,486,669)	-
Overspending by Water services	*	171,274,442	(171,274,442)	-
Overspending by Miscellaneous Services	*	231,892,412	(231,892,412)	-
Overspending by Corporate services	*	3,543,745	(3,543,745)	-
Overspending by Fleet and Waste Management Services	*	10,826,857	(10,826,857)	-
		744,024,125	(744,024,125)	-

* Written off by Council on 4 December 2018.

Incidents identified 2015/16

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by the Office of the City Manager	*	58,351,818	(58,351,818)	-
Overspending by Engineering services	*	376,693,435	(376,693,435)	-
Overspending by Water services	*	68,623,507	(68,623,507)	-
Overspending by Waste & Fleet Management services	None**	8,718,871	-	8,718,871
Overspending by Miscellaneous services	*	122,261,302	(122,261,302)	-
Overspending by Finance - (Capital budget)	*	428,285	(428,285)	-
Overspending by Human Settlements (Capital budget)	*	24,220,513	(24,220,513)	-
Overspending by Strategic Projects and Service Delivery Regulations (Capital budget)	*	1,535,723	(1,535,723)	-
		660,833,454	(652,114,583)	8,718,871

* Written off by Council on 4 December 2018.

** These items relates to overtime which Council has referred for further investigation.

Incidents identified 2014/15

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	*	476,310,085	(476,310,085)	-
Overspending by Water services	*	16,073,144	(16,073,144)	-
Overspending by Miscellaneous services	*	494,749,304	(494,749,304)	-
		987,132,533	(987,132,533)	-

* Written off by Council on 4 December 2018.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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61. Unauthorised expenditure (continued)

Incidents identified 2013/14

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	*	335,548,820	(335,548,820)	-
Overspending by Water services	*	6,503,968	(6,503,968)	-
Overspending by Miscellaneous services	*	324,571,205	(324,571,205)	-
Overspending by Property rates	*	6,472,972	(6,472,972)	-
		673,096,965	(673,096,965)	-

* Written off by Council on 4 December 2018.

Incidents identified 2012/13

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Infrastructure services	None*	19,535,661	-	19,535,661

* These items relates to overtime which Council has referred for further investigation.

Incidents identified 2011/12

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Finance directorate	*	35,020,886	(35,020,886)	-
Overspending by Infrastructure services	*	29,551,033	(29,551,033)	-
Overspending by Regional operations	*	159,247,863	(159,247,863)	-
Overspending by Miscellaneous services	*	44,318,396	(44,318,396)	-
Overspending by Corporate services	*	37,317,682	(37,317,682)	-
Overspending by Fresh Produce Market	*	177,295	(177,295)	-
Overspending by Water services	*	1,623,331	(1,623,331)	-
		307,256,486	(307,256,486)	-

* Written off by Council on 4 December 2018.

Incidents identified 2010/11

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Fresh Produce Market	*	417,912	(417,912)	-
Overspending by Miscellaneous services	*	29,774,764	(29,774,764)	-
Overspending by Water services - Operating	*	23,353,983	(23,353,983)	-
Overspending by Water services - Capital	**	14,165,233	(2,945,233)	11,220,000
		67,711,892	(56,491,892)	11,220,000

* Written off by Council on 4 December 2018.

**Partially written off by Council on 4 December 2018. The balance has been referred for further investigation.

Mangaung Metropolitan Municipality

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62. Fruitless and wasteful expenditure		
Opening balance as previously reported	69,127,889	43,261,014
Correction of prior period error	578,994	-
Opening balance as restated	69,706,883	43,261,014
Add: Fruitless and wasteful expenditure identified in the current period	8,958,981	25,866,875
Less: Amounts recovered	(12,247)	-
Closing balance	78,653,617	69,127,889

Incidents identified - 2018/19

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom SOC due to late payment	None	121,710	-	121,710
Interest paid to Telkom SA Limited due to late payment	None	86,336	-	86,336
Interest paid to Varymix Nineteen (Pty) Limited due to late payment	None	207,608	-	207,608
Interest paid to Blair Attorneys due to late payment	None	1,636	-	1,636
Interest paid to Peyper Attorneys due to late payment	None	571,086	-	571,086
Interest paid to NICS due to late payment	None	2,725,404	-	2,725,404
Interest paid to SAMWU due to late payment	None	250,268	-	250,268
Interest paid to Down Touch due to late payment	None	793,872	-	793,872
Interest paid to SARS due to late payment	None	7,771	-	7,771
Interest paid to Couzyn Hertz & Horak Attorneys due to late payment	None	195,194	-	195,194
Interest paid to Honey Attorneys due to court case no: 1064/2017	None	1,474	-	1,474
Overpayment of Councillors salaries	None	67,134	-	67,134
Interest paid to Modderrivier due to late payment	None	7,200	-	7,200
Interest paid to CMP BEE Engineering due to court case no: 5559/16	None	205,792	-	205,792
Interest paid to SABC TV Licences	None	424	-	424
Interest paid to FSPG Police	None	125	-	125
Payments were made to Phumi Trading where goods and services were not as per required standards. This resulted in another supplier having to reperform the work.	None	3,262,618	-	3,262,618
Payments made to Pennyville Zamimphilo Relocations (Pty) Ltd for remedial work and extension of time which could have been avoided	None	453,329	-	453,329
		8,958,981	-	8,958,981

Mangaung Metropolitan Municipality

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62. Fruitless and wasteful expenditure (continued)

Incidents identified - 2017/18

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Telkom SA Limited due to late payment	None	180,854	-	180,854
Interest paid to Eskom due to late payment	None	35,104	-	35,104
Interest paid to FDC due to late payment	None	1,758	-	1,758
Interest paid to UMFA due to late payment	None	336	-	336
Interest paid to Hi-Tech Engineering due to late payment	None	37,869	-	37,869
Interest paid to Auditor General due to late payment	None	25,465	-	25,465
Interest paid to Road Mac Surfacing due to late payment	None	173,579	-	173,579
Interest paid to Tau Pele Construction due to late payment	None	797,779	-	797,779
Interest paid to Spangenberg Zietsman due to late payment	None	151,281	-	151,281
Interest paid to L & V Attorneys due to late payment	None	41,077	-	41,077
Interest paid to Fujitsu due to late payment	None	208,401	-	208,401
Interest paid to Symington & De Kok due to late payment	None	12,004	-	12,004
Interest paid to Reder Construction due to late payment	None	146,453	-	146,453
Interest paid to Friday Management Solutions	None	44,100	-	44,100
Overpayments made to Oramok (Pty) Ltd	None	304,800	-	304,800
Overpayments made to Ruwaccon	None	2,310,580	-	2,310,580
Overpayment of service provider Kgato Project	None	10,937,012	-	10,937,012
Overpayment of service provider Refilwe Civils	None	1,526,642	-	1,526,642
Overpayment of service provider Panzacode CC	None	2,153,048	-	2,153,048
Overpayments made to Q-Civils	None	5,754,920	-	5,754,920
Overpayment of service provider LTE Consulting	None	1,285,545	-	1,285,545
Overpayment of service provider Wasserman Teerwerke	None	201,300	-	201,300
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	94,778	-	94,778
		26,424,685	-	26,424,685

Mangaung Metropolitan Municipality

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62. Fruitless and wasteful expenditure (continued)

Incidents identified - 2016/17

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Telkom SA Limited due to late payment	None	90,757	-	90,757
Interest paid to Railway Safety Regulator due to late payment	None	18	-	18
Interest paid to Free State Municipal Pension Fund	None	322	-	322
Interest paid to SARS due to late payment	None	1,896,020	-	1,896,020
Interest paid to Q Civils due to late payment	None	370,089	-	370,089
Interest paid to Eskom due to late payment	None	47,495	-	47,495
Interest paid to FDC due to late payment	None	1,646	-	1,646
Interest paid to UMFA due to late payment	None	1,256	-	1,256
Interest paid to Modderivier Kalkveld due to late payment	None	2,816	-	2,816
Interest paid to Auditor General due to late payment	None	31,551	-	31,551
Interest paid to LM Meyer due to case no. 2843 14	None	15,649	-	15,649
Interest paid to Joyce Nel due to case no. 40602016	None	2,447,910	-	2,447,910
Interest paid to Wasserman Teerwerke due to late payment	None	223,008	-	223,008
Interest paid to Altimax due to Court Order (case no. 832/17)	None	1,444	-	1,444
Interest paid to Panzacode CC due to Court Order (case no. 5926/2016)	None	216,779	-	216,779
Interest paid to Maluti Plant Hire due to Court Order (case no. 4357 and case no. 1765)	None	1,918,580	-	1,918,580
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998*	None	252,063	-	252,063
		7,517,403	-	7,517,403

*During the current year it was noted that the amount reported for the fruitless and wasteful expenditure relating to councillors were incorrect. The effect of the restatement is as follows:

As previously stated	176,831
Adjustment	75,232
As restated	252,063

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62. Fruitless and wasteful expenditure (continued)

Incidents identified - 2015/16

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom due to late payment	None	127,272	-	127,272
Interest paid to Razzmatazz (Pty) Ltd due to late payment	None	11,700	-	11,700
Interest paid to FDC due to late payment	None	1,732	-	1,732
Interest paid to PEC Metering due to late payment	None	618	-	618
Interest paid to UMFA due to late payment	None	662	-	662
Interest paid to Telkom SA Limited due to late payment	None	212,973	-	212,973
Interest paid to Kramer, Weihmann and Joubert due to late payment	None	3,796	-	3,796
Interest and penalties paid to SARS due to late payment and under declaration of VAT	None	117,852	-	117,852
Councillors who had their membership terminated were paid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998*	None	175,912	-	175,912
		652,517	-	652,517

*During the current year it was noted that the amount reported for the fruitless and wasteful expenditure relating to councillors were incorrect. The effect of the restatement is as follows:

As previously stated	230,879
Adjustment	54,967
As restated	175,912

Incidents identified - 2014/15

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom due to late payment	None	20,469	-	20,469
Interest paid to FDC due to late payment	None	256	-	256
Interest paid to Lawyers due to late payment	None	5,549	-	5,549
Interest paid to PEC Metering due to late payment	None	402	-	402
Interest paid to Telkom SA Limited due to late payment	None	57,044	-	57,044
Interest and penalties paid to Phethogo Consulting CC due to late payment	None	78,938	-	78,938
Interest paid to UMFA due to late payment	None	213	-	213
Interest and penalties paid to Merchant West (Pty) Ltd due to late payment	None	1,155	-	1,155
Interest paid to SARS due to late payment	None	45,077	-	45,077
		209,103	-	209,103

Notes to the Annual Financial Statements

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62. Fruitless and wasteful expenditure (continued)

Incidents identified - 2013/14

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Eskom due to late payment	None	138,247	-	138,247
Interest paid to FDC due to late payment	None	783	-	783
Interest paid to Broll due to late payment	None	976	-	976
Interest paid to Bloemwater due to late payment	None	240	-	240
Interest paid to Lawyers due to late payment	None	769	-	769
Interest paid to PEC Metering due to late payment	None	417	-	417
Interest paid to Dlamini & Associates due to late payment	None	525	-	525
Interest paid to Standard Bank of South Africa due to late payment	None	3,818	-	3,818
Interest paid to Wright Rose Innes Inc due to late payment	None	2,360	-	2,360
Interest paid to Dierehospitaal due to late payment	None	208	-	208
		148,343	-	148,343

Incidents identified - 2012/13

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Interest paid to Ruwaccon (Pty) Ltd due to late payment	None	42,879	-	42,879
Interest paid to Eskom due to late payment	None	41,415	-	41,415
Interest paid to FDC due to late payment	None	804	-	804
Interest paid to Rossouw's Attorneys due to late payment	None	390	-	390
Interest paid to Rural Maintenance (Pty) Ltd due to late payment	None	57	-	57
Interest paid to UMFA/FS Business Trust due to late payment	None	165	-	165
Interest paid to Bloemwater due to late payment	None	4,851	-	4,851
Interest paid to Merchant West (Pty) Ltd due to late payment	None	60,820	-	60,820
Interest paid to Telkom SA limited due to late payment	None	100,031	-	100,031
Interest paid to Lawyers due to late payment	None	11,506	-	11,506
Interest and penalties paid to SARS due to late submission of a VAT return	None	147,204	-	147,204
No Show penalty for 7 Councillors on 29 January 2013, for accommodation at Protea Hotel*	Recovered	12,247	(12,247)	-
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	375,765	-	375,765
		798,134	(12,247)	785,887

*During the current year the amount of R12,247 was recovered from the responsible parties.

Incidents identified - 2011/12

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on the late submission of a VAT return.	None	113,832	-	113,832
Penalties and interest paid on the late submission VAT return of prior years	None	13,816,522	-	13,816,522
Interest paid on overdue accounts	None	31,163	-	31,163
Interest paid on overdue accounts - Telkom	None	38,520	-	38,520
Councillor T.J Makae annual salary was paid to him but was however no longer a councillor	None	378,254	-	378,254
		14,378,291	-	14,378,291

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

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Figures in Rand	2019	2018
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62. Fruitless and wasteful expenditure (continued)

Incidents identified - 2010/11

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on the late submission of a VAT return	None	7,729,134	-	7,729,134
Penalties and interest paid on the late submission of PAYE, UIF and SDL	None	171,147	-	171,147
		7,900,281	-	7,900,281

Incidents identified - 2009/10

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid on late submission of VAT return	None	5,099,888	-	5,099,888

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

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63. Irregular expenditure		
Opening balance as previously reported	442,658,742	347,416,875
Correction of prior period error	(51,697)	-
Opening balance as restated	442,607,045	347,416,875
Add: Irregular expenditure - identified in the current year	842,457,694	95,241,867
Less: Amount written off*	(336,548,786)	-
Closing balance	948,515,953	442,658,742

During the current and prior year there were uncertainties relating to the interpretation of legislation regulating the composition of the Bid Adjudication Committee. The matter is still under investigation to determine its validity and whether it will have any impact on irregular expenditure.

*At a council sitting on 30 August 2019, the council resolved that after an investigation performed, irregular expenditure to the value of R336,548,786 is regarded as irrecoverable and were written off.

Details of irregular expenditure - current year

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified were that of supply chain process that was not followed	None	222,067,358
Service providers where contracts were extended without council approval	None	275,675,031
During the year overpayment of Councillors remuneration and cell phone allowance was made and led to a subsequent overpayment on fixed motor car allowance.	The expenditure was identified during the current financial year and still needs to be investigated.	67,134
Expenditure in contravention of section 33 of the Division of Revenue Act	The matter is currently being addressed with National Treasury	344,648,171
		842,457,694

64. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	14,100,000	13,300,000
Amount paid - current year	(14,100,000)	(13,300,000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

Opening balance	417,826	6,103,565
Current year subscription / fee	19,723,277	17,293,887
Amount paid - current year	(18,511,990)	(16,876,060)
Amount paid - previous years - Mangaung Metropolitan Municipality	(417,826)	(3,265,711)
Amount paid - previous years - former Naledi Local Municipality	-	(2,837,855)
	1,211,287	417,826

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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64. Additional disclosure in terms of Municipal Finance Management Act (continued)

PAYE, UIF and SDL

Opening balance	23,184,624	14,158,418
Current year subscription / fee	314,777,526	275,563,656
Amount paid - current year	(288,644,951)	(252,321,184)
Amount paid - previous years	(23,242,472)	(14,216,266)
	26,074,727	23,184,624

During the current year it was noted that the prior year disclosure did not take into account the finalisation the PAYE, UIF and SDL account of the former Naledi Local Municipality. The effect of the restatement is as follows:

Opening balance as previously stated	14,100,986
Adjustment	57,432
Restated opening balance	14,158,418

Pension and Medical Aid Deductions

Opening balance	29,565,959	25,410,949
Current year subscription / fee	371,537,226	352,153,625
Amount paid - current year	(340,433,258)	(322,587,666)
Amount paid - previous years	(29,565,959)	(25,410,949)
	31,103,968	29,565,959

Councillors' arrear consumer accounts

Refer to Appendix B for details relating to Councillors arrear debt.

Bulk water losses

Material bulk water losses during the year under review were as follows and are not recoverable. The main reason for incurring water losses related to burst water pipes, leaks and unmetered sites.

	Kilo Litres	Cost per Kilo litre (R)	Total loss in Rands
2019	20,658,016	9.04	186,748,463
2018	29,207,126	9.12	266,368,991

Grants withheld

During the current and prior year, the following amounts were withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

Neighbourhood development grant	-	10,000,000
Urban settlement development grant	49,814,000	-
	49,814,000	10,000,000

65. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D1 for the comparison of actual operating expenditure versus budgeted expenditure.

66. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D2 for the comparison of actual capital expenditure versus budgeted expenditure.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
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67. 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 council and includes a note to the annual financial statements.

Deviations 2019

	Rand value	Number of deviations
Emergency	4,059,257	6
Sole supplier	987,295	4
	5,046,552	10

Deviations 2018

	Rand value	Number of deviations
Emergency	602,600	7
Sole supplier	1,725,760	9
	2,328,360	16

68. Budget differences

Changes from the approved budget to the final budget

Statement of financial performance:

Service charges:

A downward adjustment of R 56,016 million on water revenue due to planned revenue not being realised as budgeted.

Transfers recognised - Operational

Appropriation of a new Municipal Disaster Recovery Grant of R 239 million.

Downward adjustment on the Urban Settlement Development Grant in line with the allocation from the Department of Human Settlement

Alignment of the budget for the Public Transport Grant between operating and capital expenditure in line with the allocated projects.

Employee related costs

Taking the mid year performance into account, the entity increased the overtime budget.

Materials and bulk purchases

The bulk purchases budget was decreased in line with the adjustment on water service charges.

Other expenditure

The adjustment to other expenditure to align the budget for the Public Transport Grant between operating and capital expenditure in line with the allocated projects.

Capital expenditure:

The adjustment is due to the reduction of the Urban settlement development grant and in the increase in own funded capital projects.

Statement of financial position:

Changes to the statement of financial position budget were made in order to align the budget statement of financial position taking into account the closing balances as per the audited annual financial statements (which became available after the finalisation of the audit) as well as changes made on the statement of financial performance and budgeted capital expenditure.

Cash flow statement:

Changes to the cash flow statement were made due to the anticipated cash position of the entity as a result of the adjustments made to the statements of financial performance and position.

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68. Budget differences (continued)

Material differences between budget and actual amounts

Statement of financial performance:

Property rates:

Favourable variance due to more properties being billed than what was budgeted for.

Service charges:

Favourable variance due to more properties being billed for sewerage charges than what was budgeted for.

Transfers recognised:

The unfavourable variance is due to under expenditure on the following grants:

- Urban settlement development grant
- Public transport infrastructure and network systems grant
- Municipal disaster recovery grant

Other own revenue:

Favourable variance due to the interest on intercompany transactions exceeding the budget.

Favourable variance due to interest on property rates exceeding the budget as more properties are being billed.

Favourable variance on rental of facilities and equipment as municipal facilities being utilised more than anticipated.

Employee related costs:

The unfavourable variance is mainly due to the over expenditure on overtime.

Debt impairment:

Unfavourable variance due to the write off of indigent debtors when they were registered as indigent.

Materials and bulk purchases:

Unfavourable variance due to the settlement agreement reached with Bloemwater relating to a portion of the drought tariffs that were previously included as contingent liabilities.

Other expenditure:

Favourable variance due to the implementation of cost cutting measures.

Capital expenditure:

The under expenditure are due to the slow implementation of grant funded projects on the following grants:

- Urban settlement development grant
- Public transport infrastructure and network systems grant.

Statement of financial position:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

Cash flow statement:

The variances are due to the impact of the over and under performance on revenue and expenditure items as indicated above under financial performance and capital expenditure.

Notes to the Annual Financial Statements

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69. Non-compliance to the MFMA

During the current financial year the following non-compliance matters were identified:

Supply chain management regulations 12(1)(c), 17(1)(a) - (c)

Goods and services of a transaction value between R10,000 and R200,000 were procured without inviting at least three written price quotations from accredited prospective providers and the deviation was not approved by the CFO or his delegate.

Supply chain management regulations 36(1)

Goods and services with a transactions value above R200,000 were not procured by means of a competitive bidding process and the deviation was not approved by the accounting officer or her delegate in accordance with the supply chain management policy.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though immediate action was not necessary and sufficient time was available to follow a bidding process.

Deviations from competitive bidding were approved on the basis of it being an emergency, even though proper planning would have prevented such emergency.

Mangaung Metropolitan Municipality

Appendix A to the Annual Financial Statements for the year ended 30 June 2019

Schedule of External Loans - Unaudited

Schedule of external loans as at 30 June 2019

		Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed / written off during the period	Balance at 30 June 2019
				Rand	Rand	Rand	Rand
External loans							
DBSA		103433/01	31 March 2026	34,969,692	-	3,065,179	31,904,513
DBSA		103433/02	31 March 2026	120,690,448	-	8,250,603	112,439,845
DBSA		12007885	30 June 2025	266,779,286	-	25,134,220	241,645,066
Standard bank		33714314	30 June 2025	248,193,558	-	24,705,468	223,488,090
ABSA		23135	30 October 2026	453,647,268	-	35,960,202	417,687,066
				1,124,280,252	-	97,115,672	1,027,164,580

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements for the year ended 30 June 2019
Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
Chaka NS	34,715	35,296	35,879	30,494	21,338	15,674	16,116	16,523	31,238	37,754	-	821
Dyosiba S	1,764	1,396	884	411	-	259	-	-	-	-	-	-
Ferreira TI	-	-	191	403	-	-	50	269	482	697	913	-
Gailele IL	3,458	3,838	4,222	3,967	3,745	4,166	3,312	3,734	3,517	3,297	3,075	2,496
Goliath EK	96,565	98,773	100,987	94,358	79,353	81,756	67,444	69,541	61,753	55,454	55,454	55,454
Jonas VE	-	-	-	-	-	-	-	-	94	462	830	1,201
Kotze GDP	1,995	61	1,331	656	1,089	2,459	3,048	3,635	3,164	3,762	5,433	5,433
Mabale G	16,659	17,043	17,457	15,235	13,150	7,534	1,291	1,881	853	-	-	-
Mahase MM	5,765	6,004	6,244	5,482	4,771	5,062	3,354	3,640	2,920	2,194	-	-
Makhalanyane TS	281	291	301	310	207	219	230	1,529	1,539	1,560	1,582	1,603
Mangcotywa ZE	710	210	-	-	-	-	-	-	-	-	-	-
Mapitse TK	24,615	24,925	25,503	18,374	12,352	12,974	-	472	-	-	-	-
Masoetsa LA	47,666	49,806	51,965	54,549	34,468	34,634	5,507	7,654	4,271	-	-	-
Masoeu TD	1,694	2,046	2,097	3,679	5,339	1,994	-	-	-	-	-	-
Matetha NR	782	1,159	-	-	-	-	492	1,026	73	848	1,394	1,847
Mogapi KT	-	-	-	-	-	-	-	-	-	-	174	345
Mohibidu PM	39,870	41,170	42,478	37,811	32,951	34,368	5,126	5,887	5,915	19,744	-	5,839
Mohlabane RJ	37,860	38,335	38,812	39,059	39,560	40,063	40,568	41,074	41,589	42,105	42,624	43,144
Mokoakoa MI	29,900	29,900	30,311	25,564	21,011	21,444	11,912	12,316	7,711	-	-	-
Mokoena JI *	8,783	9,598	9,413	8,411	7,237	6,194	2,160	3,115	-	-	-	-
Mononyane MB	769	1,479	2,587	3,804	5,045	6,297	7,558	8,830	10,114	11,408	12,713	14,028
Monyakoana NPM	5,974	6,343	6,712	7,044	7,451	7,861	8,253	8,644	9,043	9,441	9,842	10,255
Morake AM	-	-	-	-	-	-	-	-	-	-	358	935
Motloung MV	1,185	1,191	1,197	1,197	1,203	1,210	1,216	1,222	1,228	1,235	1,241	1,247
Mvuyo A	9,109	9,411	9,750	8,488	7,303	5,520	2,676	2,967	4,043	2,864	1,659	457
Naile TJ	1,451	1,623	1,796	1,793	1,805	636	73	265	68	-	-	-
Ndzuzo T	97	134	172	221	273	316	359	403	447	491	536	581
Nkhabu ML	19,286	19,464	19,642	16,557	13,473	13,666	7,304	7,497	4,412	1,327	-	-
Nkoe MJ	147,802	148,095	150,109	148,031	149,683	153,378	154,650	156,645	158,815	160,441	162,157	164,260
Nothnagel J	3,456	4,893	6,346	7,878	9,465	11,065	12,678	14,304	15,946	17,601	19,270	20,953
Petersen JE	3,069	4,568	6,071	7,462	7,968	660	132	132	132	132	132	132
Phalatse OP	1,165	1,362	1,561	1,766	1,984	2,203	2,424	2,646	2,871	3,097	3,325	3,554
Pongolo DX	9,216	9,531	9,845	8,598	7,350	7,690	4,854	5,195	3,947	2,699	1,451	203
Poone PP	430	433	436	462	494	526	558	590	622	655	688	722
Pretorius JC	-	-	-	-	-	-	-	-	-	1,667	-	-
Pretorius S	1,888	1,238	-	-	267	1,787	3,466	4,846	8,068	9,382	13,272	11,567
Qwema MB	2,101	2,304	2,509	2,714	2,938	3,163	3,390	3,619	3,850	4,082	4,317	4,552
Ranchobe T	-	-	-	26	54	83	111	139	168	196	224	253
Ratsiu NA	2,955	3,223	3,277	-	-	766	682	1,682	1,909	1,666	1,439	1,218
Sebolao JE	36,561	38,100	39,974	41,653	34,175	35,212	37,130	38,338	38,824	36,431	35,961	35,510
Sefuthi NM	4,179	4,245	4,406	4,581	4,763	4,946	5,128	5,311	5,493	5,676	4,830	5,012
Seleke PL	6,718	6,768	6,817	6,843	6,921	6,999	7,078	7,156	7,236	7,316	7,397	7,477
Shounyana MM	8,354	8,822	9,293	8,371	7,528	5,263	2,985	3,591	2,669	1,639	-	353

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statements for the year ended 30 June 2019
Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019
Siyonzana MA	12,123	7,071	17	-	-	2,770	7,565	12,135	18,508	14,599	21,305	21,750
Snyman van Deventer E	978	318	-	371	923	1,480	-	-	-	-	-	-
Terblanche AP	44,566	46,042	47,528	-	-	4,000	-	5,243	6,485	7,739	3,765	5,070
Thatho MV	-	-	-	-	-	-	-	-	-	1,283	1,920	2,570
Thipenyane G	-	6	-	-	-	-	-	-	-	-	578	3,043
Thwala ZJ	7,325	7,298	7,397	6,067	4,809	4,847	2,210	2,336	1,132	137	-	-
Titi LM	7,498	8,678	9,866	9,206	7,477	8,759	4,050	5,336	3,609	1,872	3,489	864
Tladi MM	-	-	-	-	-	-	-	-	4	13	24	-
TOTAL	691,337	702,491	715,383	631,896	559,923	559,903	437,140	471,368	474,762	472,966	423,372	434,749

* The individual was a councillor until February 2019.

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2019

Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Chaka NS	25,892	26,797	27,682	28,468	29,033	29,657	30,367	31,079	31,797	32,518	33,244	33,982
Dyosiba S	947	1,186	1,427	1,728	1,991	1,877	2,164	1,764	1,947	1,764	1,764	1,764
Ferreira TI	-	-	-	20	172	367	-	-	-	201	397	4,614
Gailele IL	3,718	2,718	1,718	1,137	492	869	1,242	1,610	1,973	2,339	2,709	3,081
Goliath EK	71,948	74,147	76,128	78,348	81,027	83,102	84,990	86,888	88,801	90,724	92,658	94,615
Khunou LM	761	766	771	776	781	785	790	795	800	-	-	-
Kotze GDP	-	-	-	-	-	-	431	859	1,293	1,728	2,167	2,617
Mabale G	7,184	7,247	7,312	10,102	10,629	11,189	12,124	12,250	12,969	13,529	15,225	15,940
Mahase MM	3,201	3,433	3,468	3,715	3,916	4,142	-	-	-	-	-	-
Makhalanyane TS	185	197	209	210	211	212	222	232	241	251	261	271
Mangcotywa ZE	-	-	-	209	539	652	1,006	779	898	727	734	710
Mapitse TK	-	-	-	21,191	21,434	21,863	22,387	22,912	23,115	23,721	24,019	24,402
Masoetsa LA	8,387	11,136	13,682	19,105	20,829	23,490	26,871	30,261	33,691	37,135	40,606	44,142
Masoeu TD	-	-	-	653	1,131	1,842	3,315	4,788	4,279	4,275	2,739	869
Matetha R	1,184	-	-	43	552	952	1,454	1,454	1,454	-	-	334
Mlamleli SM	-	-	-	759	33	-	-	-	-	-	-	-
Mogapi KT	-	-	-	210	376	166	357	-	-	-	-	-
Mohibidu PM	60,116	64,660	68,692	72,961	69,870	72,717	74,931	75,695	35,220	36,253	37,296	38,580
Mohlabane RJ	26,482	26,997	27,503	28,292	28,973	29,720	30,560	31,137	31,203	31,637	32,076	37,426
Mokoakoa MI	44,379	46,570	48,701	50,768	52,561	54,565	56,067	57,576	59,101	56,067	29,900	29,900
Mokoena JI	16,182	16,187	13,050	15,368	17,455	13,073	8,241	9,054	8,327	8,589	9,403	8,459
Morake AM	-	-	-	51	803	794	1,692	798	-	-	-	-
Mononyane MB	-	-	-	-	-	4,250	4,980	5,716	6,459	206	258	315
Monyakoana NPM	1,760	2,158	2,544	2,880	3,163	3,484	3,833	4,181	4,535	4,889	5,245	5,613
Motloung MV	1,108	1,115	1,121	1,128	1,134	1,141	1,147	1,153	1,160	1,166	1,172	1,179
Motsomi TE	20,233	-	-	-	-	-	-	-	-	-	-	-
Mvuyo A	6,067	6,125	6,392	6,734	7,019	7,332	7,647	7,956	8,284	8,115	8,447	8,738
Nkhabu ML	8,249	12,269	13,815	15,471	17,741	19,422	20,170	20,857	21,593	17,669	18,403	18,949
Phalatse OP	-	-	-	109	275	464	654	846	385	580	777	969
Naile TJ	571	375	178	174	129	303	-	-	-	-	-	-
Ndzuzo T	-	-	-	-	-	-	-	-	-	-	-	43
Nkoe MJ	111,929	114,313	116,414	118,104	119,601	121,232	176,947	177,480	183,313	187,559	208,431	216,222
Nothnagel J	17,675	20,391	23,132	25,905	28,464	1,399	-	-	-	-	622	1,680
Petersen JE	321	353	377	132	132	132	132	132	132	132	737	1,908
Pongolo DX	4,735	5,411	6,088	6,428	6,713	7,026	7,338	7,651	7,964	8,276	8,589	8,902
Poone PP	396	396	396	400	403	406	410	413	416	420	423	426
Pretorius S	3,907	3,230	2,784	2,389	2,227	2,247	23,787	24,687	21,631	21,236	21,252	21,293
Pretorius JC	-	-	-	-	-	-	775	66	132	199	266	333
Ratsiu NA	2,725	2,790	2,855	3,261	3,525	3,821	4,112	2,112	2,112	2,173	2,394	2,673
Sebolao JE	16,896	18,594	20,607	22,517	24,165	25,981	27,704	29,626	31,276	33,172	34,939	36,773
Sefuthi NM	2,316	2,552	2,799	3,061	3,254	3,472	3,682	3,422	3,567	3,744	3,922	4,018
Seleke PL	9,044	9,208	6,160	6,238	6,314	6,365	6,416	6,466	6,517	6,568	6,618	6,669
Shounyana MM	1,903	2,862	2,964	3,434	3,815	4,245	4,820	5,396	5,978	6,563	7,152	7,753
Siyonzana MA	70	1,264	34	1,909	2,240	4,333	6,844	7,621	6,815	10,031	11,887	11,054

Mangaung Metropolitan Municipality

Appendix B to the Annual Financial Statements for the year ended 30 June 2019

Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Snyman van Deventer E	1,130	1,813	-	72	499	751	978	1,147	1,317	1,491	1,664	978
Terblanche AP	28,052	29,234	30,426	31,871	33,198	34,569	36,004	37,423	38,851	40,290	41,740	43,099
Thwala ZJ	6,689	-	-	-	-	-	-	-	-	-	7,119	7,172
Titi LM	-	-	-	-	-	1,953	3,054	4,172	5,301	6,438	7,586	6,328
Qwema MB	162	162	162	372	539	728	919	1,112	1,307	1,503	1,700	1,899
TOTAL	516,504	516,656	529,591	586,703	607,358	607,090	701,564	719,566	696,154	703,878	726,541	756,692

Mangaung Metropolitan Municipality
Appendix C to the Annual Financial Statements for the year ended 30 June 2019
Segmental Statement of Financial Performance - Unaudited

Segmental Statement of Financial Performance for the year ended
30 June 2018 **30 June 2019**

Actual Income	Actual Expenditure	Surplus /(Deficit)		Actual Income	Actual Expenditure	Surplus /(Deficit)
Rand	Rand	Rand		Rand	Rand	Rand
Total Municipality						
Total Votes						
-	125,535,078	(125,535,078)	Office of the City Manager	187	122,675,032	(122,674,845)
-	224,027,610	(224,027,610)	Office of the Executive Mayor	-	240,433,473	(240,433,473)
283,073,451	472,924,266	(189,850,815)	Corporate Services	6,979,622	376,453,539	(369,473,917)
1,343,440,680	300,490,187	1,042,950,493	Finance	1,438,508,795	250,244,115	1,188,264,680
12,483,329	492,437,389	(479,954,060)	Social Services	63,900,237	523,293,635	(459,393,398)
61,134,535	94,376,132	(33,241,597)	Planning	37,202,533	91,048,947	(53,846,414)
39,987,034	144,685,274	(104,698,240)	Human Settlement & Housing	43,839,952	111,778,789	(67,938,837)
7,610	42,402,467	(42,394,857)	Economic & Rural Development	4,545	32,688,026	(32,683,481)
437,221,485	1,029,414,363	(592,192,878)	Engineering Services	479,273,707	1,019,664,058	(540,390,351)
1,041,944,609	1,351,086,481	(309,141,872)	Water Services	1,151,794,865	1,648,060,235	(496,265,370)
298,532,031	373,896,046	(75,364,015)	Waste & Fleet Services	347,960,093	435,973,866	(88,013,773)
1,845,711,715	199,713,939	1,645,997,776	Miscellaneous Services	1,445,510,196	361,767,632	1,083,742,564
-	47,299,052	(47,299,052)	Strategic Services and Service Delivery	-	51,315,143	(51,315,143)
371,645	70,257,472	(69,885,827)	Naledi	3,273	53,184,912	(53,181,639)
-	-	-		-	-	-
5,363,908,124	4,968,545,756	395,362,368	Total Votes	5,014,978,005	5,318,581,402	303,603,397

Mangaung Metropolitan Municipality

Appendix D(1) to the Annual Financial Statements for the year ended 30 June 2019

Actual versus Budget (Revenue and Expenditure) - Audited

**Actual versus Budget(Revenue and
Expenditure) for the year ended
30 June 2019**

	Adjusted budget Rand	Act. Bal. Rand	Variance Rand	% Var
Expenditure by Vote				
Office of the City Manager	133,061,314	121,872,175	11,189,139	9.2
Offices of the Executive Mayor	236,683,614	238,690,617	(2,007,003)	(0.8)
Corporate services	277,504,833	357,978,126	(80,473,293)	(22.5)
Finance	265,559,127	248,632,593	16,926,534	6.8
Social Services	514,463,652	553,285,425	(38,821,773)	(7.0)
Planning	104,056,502	90,328,586	13,727,916	15.2
Human Settlement	114,168,570	103,906,476	10,262,094	9.9
Economic & Rural development	34,636,154	32,155,239	2,480,915	7.7
Engineering services	652,256,146	1,008,841,872	(356,585,726)	(35.3)
Water services	991,536,439	1,655,444,884	(663,908,445)	(40.1)
Waste & Fleet Services	396,038,504	441,204,215	(45,165,711)	(10.2)
Miscellaneous services	197,581,572	361,767,635	(164,186,063)	(45.4)
Strategic Projects and Service Delivery	41,088,541	51,288,652	(10,200,111)	(19.9)
Naledi Infrastructure	50,570,713	53,184,912	(2,614,199)	(4.9)
	<u>4,009,205,681</u>	<u>5,318,581,407</u>	<u>(1,309,375,726)</u>	<u>(24.6)</u>

Mangaung Metropolitan Municipality

Appendix D(2) to the Annual Financial Statements for the year ended 30 June 2019

Actual versus Budget (Acquisition of Property, Plant and Equipment) - Audited

**Budget Analysis of Capital Expenditure for the year ended
30 June 2019**

	Additions Rand	Original Budget Rand	Revised Budget Rand	Variance Rand	Variance %
Municipal Votes					
Office of the City Manager	92,052,751	175,000,000	142,000,000	49,947,249	35
Office of the Executive Mayor	-	-	-	-	-
Corporate Services	6,120,528	15,655,000	16,055,000	9,934,472	62
Finance	215,895	4,350,000	4,350,000	4,134,105	95
Social Services	24,451,606	10,000,000	37,000,000	12,548,394	34
Planning	11,764,333	56,370,660	24,026,871	12,262,538	51
Human Settlement	102,824,130	228,700,000	191,648,662	88,824,532	46
Economic and Rural Development	6,590,497	18,007,000	18,007,000	11,416,503	63
Engineering Services	236,376,129	309,952,351	347,328,294	110,952,165	32
Water Services	124,553,353	143,286,889	317,137,971	192,584,618	61
Waste and Fleet Services	26,704,998	59,484,360	43,919,381	17,214,383	39
Miscellaneous Services	-	-	-	-	-
Strategic Projects and Service Delivery	8,294,404	13,000,000	13,000,000	4,705,596	36
Naledi Infrastructure	-	-	-	-	-
	639,948,624	1,033,806,260	1,154,473,179	514,524,555	45

Mangaung Metropolitan Municipality
Appendix E to the Annual Financial Statements for the year ended 30 June 2019
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003 - Unaudited

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Equitable share	National Government	284,792,000	-	398,708,000	-	284,792,000	-	290,708,000	108,000,000	Yes
Fuel levy	National Government	102,765,000	102,765,000	102,765,000	-	77,073,750	77,073,750	77,074,000	77,074,500	Yes
Financial Management Grant	National Government	3,345,000	-	-	-	595,844	1,140,455	832,482	776,220	Yes
National Electrification Program Grant	National Government	7,725,000	7,725,000	-	-	-	-	-	15,450,000	Yes
Urban Settlement Development Grant	National Government	151,243,000	315,273,000	239,886,000	-	23,920,610	178,115,793	158,319,111	182,057,610	Yes
Neighborhood Development Grant	National Government	13,000,000	-	-	-	-	2,545,374	2,998,589	3,572,486	Yes
Expanded Public Works Programme Grant	National Government	607,000	-	1,816,000	-	-	-	460,000	-	Yes
Integrated City Development Grant	National Government	3,604,000	3,603,000	-	-	-	-	3,253,208	525,369	Yes
Public Transport Network Grant	National Government	47,991,000	52,491,000	134,349,000	-	15,614,084	53,261,112	30,659,141	103,985,359	Yes
Municipal Disaster Recovery Grant	National Government	-	-	239,034,000	-	-	-	-	99,403,868	Yes
Municipal Systems Improvement Grant	National Government	-	-	1,055,000	-	-	-	-	-	Yes
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
		-	-	-	-	-	-	-	-	
Department SACR grant - Admin Library	Provincial Government	1,000,000	1,000,000	-	-	-	113,999	(113,999)	1,917,128	Yes
		616,072,000	482,857,000	1,117,613,000	-	401,996,288	312,250,483	564,190,532	592,762,540	

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue & expenditure - functional classification) - Unaudited

	2019/2018							2018/2017							
	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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Functional															
Municipal governance and administration	2,819,999,668	228,794,496	3,048,794,164	-		3,048,794,164	-		(3,048,794,164)	- %	- %				-
Executive and council	-	10,530	10,530	-		10,530	-		(10,530)	- %	DIV/0 %				-
Finance and administration	2,819,999,668	228,783,966	3,048,783,634	-		3,048,783,634	-		(3,048,783,634)	- %	- %				-
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	74,795,924	(12,859,223)	61,936,701	-		61,936,701	-		(61,936,701)	- %	- %				-
Community and social services	5,992,324	(1,984,023)	4,008,301	-		4,008,301	-		(4,008,301)	- %	- %				-
Sport and recreation	4,921,370	1,963,262	6,884,632	-		6,884,632	-		(6,884,632)	- %	- %				-
Public safety	33,247,260	20,761	33,268,021	-		33,268,021	-		(33,268,021)	- %	- %				-
Housing	30,629,705	(12,853,958)	17,775,747	-		17,775,747	-		(17,775,747)	- %	- %				-
Health	5,265	(5,265)	-	-		-	-		-	DIV/0 %	- %				-
Economic and environmental services	18,825,800	(5,265)	18,820,535	-		18,820,535	-		(18,820,535)	- %	- %				-
Planning and development	18,661,321	(10,530)	18,650,791	-		18,650,791	-		(18,650,791)	- %	- %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	164,479	5,265	169,744	-		169,744	-		(169,744)	- %	- %				-
Trading services	1,960,835,541	(56,016,418)	1,904,819,123	-		1,904,819,123	-		(1,904,819,123)	- %	- %				-
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water management	1,264,414,310	(56,016,418)	1,208,397,892	-		1,208,397,892	-		(1,208,397,892)	- %	- %				-
Waste water management	375,041,063	-	375,041,063	-		375,041,063	-		(375,041,063)	- %	- %				-
Waste management	321,380,168	-	321,380,168	-		321,380,168	-		(321,380,168)	- %	- %				-
Other	27,692,246	(26,710,008)	982,238	-		982,238	-		(982,238)	- %	- %				-
Other	27,692,246	(26,710,008)	982,238	-		982,238	-		(982,238)	- %	- %				-
Total Revenue - Functional	4,902,149,179	133,203,582	5,035,352,761	-		5,035,352,761	-		(5,035,352,761)	- %	- %				-

Mangaung Metropolitan Municipality
Appendix F1 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue & expenditure - functional classification) - Unaudited

	2019/2018							2018/2017							
	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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure - Functional															
Governance and administration	1,276,228,177	(8,315,609)	1,267,912,568	-	-	1,267,912,568	-	-	(1,267,912,568)	- %	- %	-	-	-	-
Executive and council	417,509,798	(285,788,425)	131,721,373	-	-	131,721,373	-	-	(131,721,373)	- %	- %	-	-	-	-
Finance and administration	858,718,379	277,472,816	1,136,191,195	-	-	1,136,191,195	-	-	(1,136,191,195)	- %	- %	-	-	-	-
Internal audit	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community and public safety	622,546,484	35,904,892	658,451,376	-	-	658,451,376	-	-	(658,451,376)	- %	- %	-	-	-	-
Community and social services	230,948,724	(183,675,303)	47,273,421	-	-	47,273,421	-	-	(47,273,421)	- %	- %	-	-	-	-
Sport and recreation	-	213,240,176	213,240,176	-	-	213,240,176	-	-	(213,240,176)	- %	DIV/0 %	-	-	-	-
Public safety	276,406,849	20,247,327	296,654,176	-	-	296,654,176	-	-	(296,654,176)	- %	- %	-	-	-	-
Housing	106,981,854	(18,554,113)	88,427,741	-	-	88,427,741	-	-	(88,427,741)	- %	- %	-	-	-	-
Health	8,209,057	4,646,805	12,855,862	-	-	12,855,862	-	-	(12,855,862)	- %	- %	-	-	-	-
Economic and environmental services	490,272,629	(6,853,962)	483,418,667	-	-	483,418,667	-	-	(483,418,667)	- %	- %	-	-	-	-
Planning and development	122,767,726	(77,043,922)	45,723,804	-	-	45,723,804	-	-	(45,723,804)	- %	- %	-	-	-	-
Road transport	367,504,903	42,742,087	410,246,990	-	-	410,246,990	-	-	(410,246,990)	- %	- %	-	-	-	-
Environmental protection	-	27,447,873	27,447,873	-	-	27,447,873	-	-	(27,447,873)	- %	DIV/0 %	-	-	-	-
Trading services	1,580,327,481	12,279,485	1,592,606,966	-	-	1,592,606,966	-	-	(1,592,606,966)	- %	- %	-	-	-	-
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water management	964,700,430	30,166,123	994,866,553	-	-	994,866,553	-	-	(994,866,553)	- %	- %	-	-	-	-
Waste water management	345,998,722	(13,755,534)	332,243,188	-	-	332,243,188	-	-	(332,243,188)	- %	- %	-	-	-	-
Waste management	269,628,329	(4,131,104)	265,497,225	-	-	265,497,225	-	-	(265,497,225)	- %	- %	-	-	-	-
Other	26,894,252	(20,078,148)	6,816,104	-	-	6,816,104	-	-	(6,816,104)	- %	- %	-	-	-	-
Other	26,894,252	(20,078,148)	6,816,104	-	-	6,816,104	-	-	(6,816,104)	- %	- %	-	-	-	-
Total Expenditure - Functional	3,996,269,023	12,936,658	4,009,205,681	-	-	4,009,205,681	-	-	(4,009,205,681)	- %	- %	-	-	-	-
Surplus/(Deficit) for the year	905,880,156	120,266,924	1,026,147,080	-		1,026,147,080	-		(1,026,147,080)	- %	- %				

Balance Sheet 17

Appendix F2 to the Annual Financial Statements for the year ended 30 June 2019

Budgeted Financial Performance (revenue and expenditure by municipal vote) - Unaudited

2019/2018

	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue by Vote									
Office of the City Manager	-	-	-	-	187		187	DIV/0 %	DIV/0 %
Office of the Executive Mayor	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Corporate Services	11,954,453	-	11,954,453	11,954,453	6,979,622		(4,974,831)	58 %	58 %
Finance	1,296,408,703	-	1,296,408,703	1,296,408,703	1,438,508,795		142,100,092	111 %	111 %
Social Services	43,395,572	-	43,395,572	43,395,572	63,900,237		20,504,665	147 %	147 %
Planning	45,360,799	-	45,360,799	45,360,799	37,202,533		(8,158,266)	82 %	82 %
Human Settlement and Housing	30,629,705	-	30,629,705	30,629,705	43,839,952		13,210,247	143 %	143 %
Economic and Rural Development	10,530	-	10,530	10,530	4,545		(5,985)	43 %	43 %
Engineering Services	375,041,063	-	375,041,063	375,041,063	479,273,707		104,232,644	128 %	128 %
Water Services	1,264,414,310	(56,016,418)	1,208,397,892	1,208,397,892	1,151,794,865		(56,603,027)	95 %	91 %
Waste and Fleet Services	321,380,168	-	321,380,168	321,380,168	347,960,093		26,579,925	108 %	108 %
Miscellaneous Services	1,513,553,876	189,220,000	1,702,773,876	1,702,773,876	1,445,510,196		(257,263,680)	85 %	96 %
Strategic Projects and Service Delivery	-	-	-	-	-		-	DIV/0 %	DIV/0 %
Naledi Infrastructure	-	-	-	-	3,273		3,273	DIV/0 %	DIV/0 %
Total Revenue by Vote	4,902,149,179	133,203,582	5,035,352,761	5,035,352,761	5,014,978,005		(20,374,756)	100 %	102 %
Expenditure by Vote to be appropriated									
Office of the City Manager	106,141,705	29,243,125	135,384,830	135,384,830	122,675,032	-	(12,709,798)	91 %	116 %
Office of the Executive Mayor	228,290,788	12,760,073	241,050,861	241,050,861	240,433,473	-	(617,388)	100 %	105 %
Corporate Services	279,107,051	(4,674,697)	274,432,354	274,432,354	376,453,539	-	102,021,185	137 %	135 %
Finance	272,000,150	(1,522,163)	270,477,987	270,477,987	250,230,941	-	(20,247,046)	93 %	92 %
Social Services	490,279,794	3,390,415	493,670,209	493,670,209	523,293,635	-	29,623,426	106 %	107 %
Planning	116,787,758	(7,702,228)	109,085,530	109,085,530	91,048,947	-	(18,036,583)	83 %	78 %
Human Settlement and Housing	119,263,307	7,186,716	126,450,023	126,450,023	111,778,789	-	(14,671,234)	88 %	94 %
Economic and Rural Development	40,022,456	(3,267,094)	36,755,362	36,755,362	32,688,026	-	(4,067,336)	89 %	82 %
Engineering Services	737,135,419	(61,247,479)	675,887,940	675,887,940	1,019,664,058	-	343,776,118	151 %	138 %
Water Services	956,687,768	26,836,009	983,523,777	983,523,777	1,648,060,235	-	664,536,458	168 %	172 %
Waste and Fleet Services	354,288,937	16,057,045	370,345,982	370,345,982	435,973,866	-	65,627,884	118 %	123 %
Miscellaneous Services	203,595,817	(6,014,245)	197,581,572	197,581,572	361,767,632	-	164,186,060	183 %	178 %
Strategic Projects and Service Delivery	43,988,541	-	43,988,541	43,988,541	51,315,143	-	7,326,602	117 %	117 %
Naledi Infrastructure	48,679,527	1,891,186	50,570,713	50,570,713	53,184,912	-	2,614,199	105 %	109 %
Total Expenditure by Vote	3,996,269,018	12,936,663	4,009,205,681	4,009,205,681	5,318,581,402	-	1,309,375,721	133 %	133 %
Surplus/(Deficit) for the year	905,880,161	120,266,919	1,026,147,080	1,026,147,080	(303,603,397)		(1,329,750,477)	(30)%	(34)%

Mangaung Metropolitan Municipality
Appendix F3 for the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue and expenditure) - Unaudited

	2019/2018							2018/2017					
	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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source													
Property rates	1,127,398,719	-	1,127,398,719	-		1,127,398,719	1,209,977,461		82,578,742	107 %	107 %		1,158,216,167
Service charges - electricity revenue	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
Service charges - water revenue	889,907,554	(56,016,418)	833,891,136	-		833,891,136	797,862,172		(36,028,964)	96 %	90 %		704,677,592
Service charges - sanitation revenue	275,515,570	-	275,515,570	-		275,515,570	323,382,930		47,867,360	117 %	117 %		300,459,125
Service charges - refuse revenue	121,711,699	-	121,711,699	-		121,711,699	120,875,772		(835,927)	99 %	99 %		109,493,017
Service charges - other	576,970	-	576,970	-		576,970	692,944		115,974	120 %	120 %		617,986
Rental of facilities and equipment	24,612,758	-	24,612,758	-		24,612,758	45,995,414		21,382,656	187 %	187 %		44,945,159
Interest earned - external investments	17,432,129	-	17,432,129	-		17,432,129	16,456,595		(975,534)	94 %	94 %		20,280,379
Interest earned - outstanding debtors	317,018,821	-	317,018,821	-		317,018,821	486,648,352		169,629,531	154 %	154 %		371,667,160
Dividends received	525	-	525	-		525	1,420		895	270 %	270 %		4,087
Fines, penalties and forfeits	41,611,354	-	41,611,354	-		41,611,354	58,210,022		16,598,668	140 %	140 %		5,668,375
Licences and permits	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
Agency services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %		-
Transfers and subsidies	1,021,407,210	239,034,000	1,260,441,210	-		1,260,441,210	1,112,371,994		(148,069,216)	88 %	109 %		1,036,186,926
Other revenue	53,701,870	-	53,701,870	-		53,701,870	82,890,791		29,188,921	154 %	154 %		765,456,076
Gains on disposal of PPE	-	-	-	-		-	784,294		784,294	DIV/0 %	DIV/0 %		18,273,426
Total Revenue (excluding capital transfers and contributions)	3,890,895,179	183,017,582	4,073,912,761	-		4,073,912,761	4,256,150,161		182,237,400	104 %	109 %		4,535,945,475

Mangaung Metropolitan Municipality
Appendix F3 for the Annual Financial Statements for the year ended 30 June 2019
Budgeted Financial Performance (revenue and expenditure) - Unaudited

	2019/2018						2018/2017						
	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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type													
Employee related costs	1,623,191,301	46,335,251	1,669,526,552	-	-	1,669,526,552	1,696,941,959	-	27,415,407	102 %	105 %	-	1,550,458,232
Remuneration of councillors	63,341,967	(180,411)	63,161,556	-	-	63,161,556	64,434,209	-	1,272,653	102 %	102 %	-	62,271,388
Debt impairment	345,547,087	-	345,547,087		-	345,547,087	818,545,763	-	472,998,676	237 %	237 %	-	473,692,321
Depreciation & asset impairment	306,697,642	-	306,697,642		-	306,697,642	821,492,039	-	514,794,397	268 %	268 %	-	792,524,584
Finance charges	144,310,832	(28,428)	144,282,404	-	-	144,282,404	167,087,651	-	22,805,247	116 %	116 %	-	211,621,184
Bulk purchases	539,808,595	-	539,808,595	-	-	539,808,595	854,446,680	-	314,638,085	158 %	158 %	-	492,093,365
Other materials	39,573,094	(10,849,018)	28,724,076	-	-	28,724,076	18,858,810	-	(9,865,266)	66 %	48 %	-	29,862,568
Contracted services	654,032,920	(48,266,845)	605,766,075	-	-	605,766,075	538,649,711	-	(67,116,364)	89 %	82 %	-	846,479,267
Transfers and subsidies	25,722,733	(2,498,404)	23,224,329	-	-	23,224,329	22,109,800	-	(1,114,529)	95 %	86 %	-	24,468,967
Other expenditure	254,042,847	28,424,518	282,467,365	-	-	282,467,365	302,380,670	-	19,913,305	107 %	119 %	-	430,630,946
Loss on disposal of PPE	-	-	-	-	-	-	13,634,110	-	13,634,110	DIV/0 %	DIV/0 %	-	54,442,934
Total Expenditure	3,996,269,018	12,936,663	4,009,205,681	-	-	4,009,205,681	5,318,581,402	-	1,309,375,721	133 %	133 %	-	4,968,545,756
Surplus/(Deficit)	(105,373,839)	170,080,919	64,707,080	-		64,707,080	1,062,431,241		(1,127,138,321)	(1,642)%	1,008 %		(432,600,281)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1,011,254,000	(49,814,000)	961,440,000	-		961,440,000	758,827,845		(202,612,155)	79 %	75 %		827,962,648
Surplus/(Deficit) for the year	905,880,161	120,266,919	1,026,147,080	-		1,026,147,080	(303,603,396)		(1,329,750,476)	(30)%	(34)%		395,362,361

Mangaung Metropolitan Municipality
Appendix F4 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Capital Expenditure by vote, function and funding - Unaudited

2019

	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 of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote											
Multi-year expenditure											
Office of the City Manager	175,000,000	(33,000,000)	142,000,000	-	-	142,000,000	92,052,751	-	(49,947,249)	65 %	53 %
Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Corporate Services	15,655,000	400,000	16,055,000	-	-	16,055,000	6,120,528	-	(9,934,472)	38 %	39 %
Finance	4,350,000	-	4,350,000	-	-	4,350,000	215,895	-	(4,134,105)	5 %	5 %
Social Services	10,000,000	27,000,000	37,000,000	-	-	37,000,000	24,451,606	-	(12,548,394)	66 %	245 %
Planning	56,370,660	(32,343,789)	24,026,871	-	-	24,026,871	11,764,333	-	(12,262,538)	49 %	21 %
Human Settlement	228,700,000	(37,051,338)	191,648,662	-	-	191,648,662	102,824,130	-	(88,824,532)	54 %	45 %
Economic and Rural Development	18,007,000	-	18,007,000	-	-	18,007,000	6,590,497	-	(11,416,503)	37 %	37 %
Engineering Services	309,952,351	37,375,943	347,328,294	-	-	347,328,294	236,376,129	-	(110,952,165)	68 %	76 %
Water Services	143,286,889	173,851,082	317,137,971	-	-	317,137,971	124,553,353	-	(192,584,618)	39 %	87 %
Waste and Fleet Services	72,484,360	(28,564,979)	43,919,381	-	-	43,919,381	26,704,998	-	(17,214,383)	61 %	37 %
Miscellaneous Services	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Strategic Projects and Service Delivery	-	13,000,000	13,000,000	-	-	13,000,000	8,294,404	-	(4,705,596)	64 %	DIV/0 %
Naledi Infrastructure	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Total Capital Expenditure - Vote	1,033,806,260	120,666,919	1,154,473,179	-	-	1,154,473,179	639,948,624	-	(514,524,555)	55 %	62 %
Capital Expenditure - Functional											
Governance and administration	247,490,360	(168,555,100)	78,935,260	-	-	78,935,260	40,293,844	-	(38,641,416)	51 %	16 %
Executive and council	188,000,000	(171,893,000)	16,107,000	-	-	16,107,000	12,526,229	-	(3,580,771)	78 %	7 %
Finance and administration	4,350,000	58,478,260	62,828,260	-	-	62,828,260	27,767,615	-	(35,060,645)	44 %	638 %
Internal audit	55,140,360	(55,140,360)	-	-	-	-	-	-	-	DIV/0 %	- %
Community and public safety	256,355,000	(20,751,338)	235,603,662	-	-	235,603,662	129,954,482	-	(105,649,180)	55 %	51 %
Community and social services	10,000,000	14,500,000	24,500,000	-	-	24,500,000	18,034,875	-	(6,465,125)	74 %	180 %
Sport and recreation	5,655,000	13,150,000	18,805,000	-	-	18,805,000	9,095,477	-	(9,709,523)	48 %	161 %
Public safety	12,000,000	(11,800,000)	200,000	-	-	200,000	-	-	(200,000)	- %	- %
Housing	228,700,000	(37,051,338)	191,648,662	-	-	191,648,662	102,824,130	-	(88,824,532)	54 %	45 %
Health	-	450,000	450,000	-	-	450,000	-	-	(450,000)	- %	DIV/0 %
Economic and environmental services	211,420,533	111,145,903	322,566,436	-	-	322,566,436	203,150,162	-	(119,416,274)	63 %	96 %
Planning and development	59,277,660	(38,550,789)	20,726,871	-	-	20,726,871	10,803,398	-	(9,923,473)	52 %	18 %
Road transport	152,142,873	149,586,692	301,729,565	-	-	301,729,565	192,331,936	-	(109,397,629)	64 %	126 %
Environmental protection	-	110,000	110,000	-	-	110,000	14,828	-	(95,172)	13 %	DIV/0 %
Trading services	315,440,367	200,027,454	515,467,821	-	-	515,467,821	265,354,130	-	(250,113,691)	51 %	84 %
Water management	143,286,889	173,851,082	317,137,971	-	-	317,137,971	124,553,352	-	(192,584,619)	39 %	87 %
Waste water management	157,809,478	29,789,251	187,598,729	-	-	187,598,729	136,096,944	-	(51,501,785)	73 %	86 %
Waste management	14,344,000	(3,612,879)	10,731,121	-	-	10,731,121	4,703,834	-	(6,027,287)	44 %	33 %
Other	3,100,000	(1,200,000)	1,900,000	-	-	1,900,000	1,196,006	-	(703,994)	63 %	39 %
Other	3,100,000	(1,200,000)	1,900,000	-	-	1,900,000	1,196,006	-	(703,994)	63 %	39 %
Total Capital Expenditure - Functional	1,033,806,260	120,666,919	1,154,473,179	-	-	1,154,473,179	639,948,624	-	(514,524,555)	55 %	62 %
Funded by:											
National Government	947,526,000	(92,307,000)	855,219,000	-		855,219,000	538,804,837		(316,414,163)	63 %	57 %
Transfers recognised - capital	947,526,000	(92,307,000)	855,219,000	-		855,219,000	538,804,837		(316,414,163)	63 %	57 %
Public contributions & donations	4,000,000	-	4,000,000	-		4,000,000	-		(4,000,000)	- %	- %
Borrowing	33,188,260	-	33,188,260	-		33,188,260	22,001,165		(11,187,095)	66 %	66 %
Internally generated funds	49,092,000	212,973,919	262,065,919	-		262,065,919	79,142,622		(182,923,297)	30 %	161 %
Total Capital Funding	1,033,806,260	120,666,919	1,154,473,179	-		1,154,473,179	639,948,624		(514,524,555)	55 %	62 %

Mangaung Metropolitan Municipality
Appendix F5 to the Annual Financial Statements for the year ended 30 June 2019
Budgeted Cash Flows - Unaudited

2019										
	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	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Cash flow from operating activities										
Receipts										
Property rates	958,288,911	342,674,963	1,300,963,874	-	-	1,300,963,874	1,243,405,121	(57,558,753)	96 %	130 %
Service charges	809,966,248	(50,057,461)	759,908,787	-	-	759,908,787	338,394,582	(421,514,205)	45 %	42 %
Other revenue	197,990,766	111,417,364	309,408,130	-	-	309,408,130	-	(309,408,130)	- %	- %
Government - operating	1,005,957,210	(53,462,603)	952,494,607	-	-	952,494,607	1,255,102,002	302,607,395	132 %	125 %
Government - capital	1,033,466,339	(141,111,339)	892,355,000	-	-	892,355,000	745,441,000	(146,914,000)	84 %	72 %
Interest	106,943,543	(94,530,480)	12,413,063	-	-	12,413,063	278,625,173	266,212,110	2,245 %	261 %
Dividends	-	-	-	-	-	-	1,420	1,420	DIV/0 %	DIV/0 %
Payments										
Suppliers and employees	(3,351,891,112)	(1,029,331,854)	(4,381,222,966)	-	-	(4,381,222,966)	(3,063,671,489)	1,317,551,477	70 %	91 %
Finance charges	(154,448,293)	(47,804,087)	(202,252,380)	-	-	(202,252,380)	(5,467,093)	196,785,287	3 %	4 %
Transfers and Grants	(31,457,460)	9,245,460	(22,212,000)	-	-	(22,212,000)	(6,659,800)	15,552,200	30 %	21 %
Net cash flow from/used operating activities	574,816,152	(952,960,037)	(378,143,885)	-	-	(378,143,885)	785,170,916	1,163,314,801	(208)%	137 %
Cash flow from investing activities										
Receipts										
Proceeds on disposal of PPE	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Decrease (Increase) in non-current debtors	148,805,787	91,179,435	239,985,222	-	-	239,985,222	86,938	(239,898,284)	- %	- %
Decrease (increase) other non-current receivables	120,000,000	-	120,000,000	-	-	120,000,000	-	(120,000,000)	- %	- %
Decrease (increase) in non-current investments	9,823,325	870,170,502	879,993,827	-	-	879,993,827	-	(879,993,827)	- %	- %
Payments										
Capital assets	(931,418,652)	2,052,851	(929,365,801)	-	-	(929,365,801)	(586,908,812)	342,456,989	63 %	63 %
Net cash flow from/used investing activities	(652,789,540)	963,402,788	310,613,248	-	-	310,613,248	(586,821,874)	(897,435,122)	(189)%	90 %
Cash flow from financing activities										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing long term/refinancing	-	-	-	-	-	-	(140,645,377)	(140,645,377)	DIV/0 %	DIV/0 %
Increase (decrease) in consumer deposits	(16,865,755)	40,792,255	23,926,500	-	-	23,926,500	(591,601)	(24,518,101)	(2)%	4 %
Payments										
Repayment of borrowing	(96,141,939)	(422,900)	(96,564,839)	-	-	(96,564,839)	(97,115,670)	(550,831)	101 %	101 %
Net cash flow from/used financing activities	(113,007,694)	40,369,355	(72,638,339)	-	-	(72,638,339)	(238,352,648)	(165,714,309)	328 %	211 %
Net increase/(decrease) in cash held	(190,981,082)	50,812,106	(140,168,976)	-	-	(140,168,976)	(40,003,606)	100,165,370	29 %	21 %