



Mangaung Metropolitan Municipality
Annual Financial Statements
for the year ended 30 June 2020

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

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	LA Masoetsa - Acting as at 31 October 2020 SM Mamléle - as at 30 June 2020
Deputy Executive Mayor	LA Masoetsa
Speaker	MA Siyonzana
Mayoral Committee Members	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 Financial Officer	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 16 of 2019) 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
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HOD	Head of Directorate
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
MFMA	Municipal Finance Management Act, (Act 56 of 2003)
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
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 loss 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 2021 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.

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 112, which have been prepared on the going concern basis, were approved by the accounting officer on 31 October 2020 and were signed:

Accounting Officer
Adv. TB Mea

Mangaung Metropolitan Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2020.

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 surplus of the entity was R 238 066 147 (2019: deficit R 60 703 497).

2. Going concern

I draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus of R 12 809 245 320 and that the entity's total assets exceed its liabilities by R 13 746 631 470.

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 60 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 4 of 2020).

3. Subsequent events

There was a settlement agreement reached with Bloemwater on 9 December 2020, after the reporting date and before the annual financial statements were authorised for issue, whereby the liability as at 30 June 2020 was agreed to be R538 810 190.

4. Accounting Officer's interest in contracts

None.

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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Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
Assets			
Current Assets			
Inventories	3	512 812 364	493 905 840
Consumer receivables from non-exchange transactions	4	848 662 955	685 266 358
Consumer receivables from exchange transactions	5	931 791 101	805 892 723
Other receivables from non-exchange transactions	6	400 270	606 414
Other receivables from exchange transactions	7	63 275 792	56 092 870
VAT receivable	8	94 237 340	88 797 949
Centlec intercompany loan	9	776 203 042	507 497 129
Current portion of Centlec receivables	10	6 697 009	274 566 798
Cash and cash equivalents	11	395 231 159	114 430 316
		3 629 311 032	3 027 056 397
Non-Current Assets			
Investment property	12	1 571 238 441	1 570 113 653
Property, plant and equipment	13	12 095 983 843	12 520 245 085
Intangible assets	14	8 650 097	6 456 679
Heritage assets	15	279 968 687	279 968 687
Investments in controlled entities	16	100	100
Centlec receivables	10	864 613 015	871 310 024
Non-current receivables	17	156 891	155 558
		14 820 611 074	15 248 249 786
Total Assets		18 449 922 106	18 275 306 183
Liabilities			
Current Liabilities			
Payables from exchange transactions	18	1 295 418 566	1 229 430 832
Payables from non-exchange transactions	19	266 325 253	286 291 274
Consumer deposits	20	33 599 273	33 349 144
Unspent conditional grants and receipts	21	436 229 060	459 078 487
Current portion of finance lease obligation	22	74 194 252	28 654 747
Current portion of borrowings	23	190 591 008	158 581 540
Current portion of provisions	24	473 799 061	457 873 356
		2 770 156 473	2 653 259 380
Non-Current Liabilities			
Finance lease obligation	22	74 561 668	41 660 603
Borrowings	23	706 254 111	868 583 041
Provisions	24	178 043 636	178 043 636
Employee benefit obligation	25	502 525 629	538 815 163
FRESHCO Liability	26	177 776 030	191 903 926
Land availability liability	27	293 973 089	294 475 115
		1 933 134 163	2 113 481 484
Total Liabilities		4 703 290 636	4 766 740 864
Net Assets		13 746 631 470	13 508 565 319
Reserves			
Revaluation reserve	28	905 098 875	925 449 343
Self insurance reserve	29	10 000 000	10 000 000
COVID reserve	30	22 287 275	20 922 250
Accumulated surplus		12 809 245 320	12 552 193 726
Total Net Assets		13 746 631 470	13 508 565 319

* See Note 55 & 57

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Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	32	1 326 373 449	1 242 813 818
Rental of facilities and equipment	33	46 910 288	45 993 141
Other income from exchange transactions	34	60 700 017	107 795 843
Interest received from exchange transactions	35	427 920 120	431 107 315
Gain on derecognition of assets and liabilities		-	1 000
Fair value adjustments	36	1 124 715	3 777 387
Actuarial gains		82 858 877	265 930 035
Dividends received	35	2 849	1 420
Total revenue from exchange transactions		1 945 890 315	2 097 419 959
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	37	1 334 854 287	1 209 977 460
Interest received from non-exchange transactions	35	62 804 076	69 751 900
Transfer revenue			
Government grants & subsidies	38	1 556 357 427	1 871 199 842
Public contributions and donations	39	223 400	1 397 194
Fines, penalties and forfeits	40	16 770 072	60 802 042
Total revenue from non-exchange transactions		2 971 009 262	3 213 128 438
Total revenue	31	4 916 899 577	5 310 548 397
Expenditure			
Employee related costs	41	(1 719 879 215)	(1 724 933 004)
Remuneration of councillors	42	(67 201 568)	(64 434 209)
Depreciation and amortisation	43	(783 479 415)	(818 680 994)
Impairment loss / Reversal of impairments	44	(11 234 773)	(933 592)
Finance costs	45	(162 496 348)	(193 795 389)
Debt impairment and bad debt write off	46	(735 087 880)	(819 053 371)
Bulk purchases	47	(311 146 661)	(818 335 854)
Contracted services	48	(465 845 970)	(509 106 400)
Grants and subsidies paid	49	(26 002 000)	(22 109 800)
Loss on derecognition of assets and liabilities		(9 868 484)	(18 573 791)
General expenses	50	(386 591 116)	(381 295 490)
Total expenditure		(4 678 833 430)	(5 371 251 894)
Surplus (deficit) for the year		238 066 147	(60 703 497)

* See Note 55 & 57

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Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Self-insurance reserve	COVID reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	948 965 140	5 000 000	16 690 714	970 655 854	12 812 269 650	13 782 925 504
Adjustments						
Prior year adjustments	-	-	-	-	(213 923 079)	(213 923 079)
Balance at 01 July 2018 as restated*	948 965 140	5 000 000	16 690 714	970 655 854	12 598 346 571	13 569 002 425
Changes in net assets						
Surplus for the year	-	-	-	-	(60 703 497)	(60 703 497)
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	-
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)
Total changes	(23 515 797)	5 000 000	4 231 536	(14 284 261)	(46 152 845)	(60 437 106)
Opening balance as previously reported	925 449 343	10 000 000	20 922 250	956 371 593	12 491 490 229	13 447 861 822
Adjustments						
Prior year adjustments	-	-	-	-	60 703 501	60 703 501
Restated* Balance at 01 July 2019 as restated*	925 449 343	10 000 000	20 922 250	956 371 593	12 552 193 730	13 508 565 323
Changes in net assets						
Surplus for the year	-	-	-	-	238 066 147	238 066 147
Contributions received	-	416 673	2 718 755	3 135 428	(3 135 428)	-
Insurance claims processed	-	(416 673)	(1 353 730)	(1 770 403)	1 770 403	-
Realisation of the revaluation reserve through depreciation	(20 350 468)	-	-	(20 350 468)	20 350 468	-
Total changes	(20 350 468)	-	1 365 025	(18 985 443)	257 051 590	238 066 147
Balance at 30 June 2020	905 098 875	10 000 000	22 287 275	937 386 150	12 809 245 320	13 746 631 470
Note(s)	28	29	30			

* See Note 55 & 57

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Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 727 934 667	1 625 193 378
Grants		1 533 508 000	2 000 543 002
Interest income		248 431 386	276 228 498
Dividends received		2 849	1 420
		3 509 876 902	3 901 966 298
Payments			
Employee costs		(1 742 735 632)	(1 717 619 950)
Suppliers		(970 761 111)	(1 315 605 330)
Finance costs		(6 031 378)	(5 488 610)
Grants paid		(2 000)	(6 659 800)
		(2 719 530 121)	(3 045 373 690)
Net cash flows from operating activities	51	790 346 781	856 592 608
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(242 866 251)	(589 733 158)
Purchase of other intangible assets	14	(2 942 380)	-
Proceeds from sale of financial assets		(1 406)	86 938
Finance costs		507 257	619 296
		(245 302 780)	(589 026 924)
Cash flows from financing activities			
Repayment of borrowings		(130 319 462)	(97 115 670)
Movement in land availability liability		11 482 098	(75 237 488)
Finance lease payments		(37 669 543)	(19 277 551)
Consumer deposits		250 129	(591 601)
Finance cost		(107 986 380)	(115 346 981)
		(264 243 158)	(307 569 291)
Net increase/(decrease) in cash and cash equivalents		280 800 843	(40 003 607)
Cash and cash equivalents at the beginning of the year		114 430 316	154 433 923
Cash and cash equivalents at the end of the year	11	395 231 159	114 430 316

* See Note 55 & 57

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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
2020											
Financial Performance											
Property rates	1 266 537 837	-	1 266 537 837	-	-	1 266 537 837	1 334 854 287	-	68 316 450	105 %	105 %
Service charges	1 286 822 567	-	1 286 822 567	-	-	1 286 822 567	1 326 373 449	-	39 550 882	103 %	103 %
Investment revenue	18 408 328	-	18 408 328	-	-	18 408 328	12 203 811	-	(6 204 517)	66 %	66 %
Transfers recognised - operational	1 057 008 219	-	1 057 008 219	-	-	1 057 008 219	1 052 160 239	-	(4 847 980)	100 %	100 %
Other own revenue	513 733 409	(805 637)	512 927 772	-	-	512 927 772	692 099 602	-	179 171 830	135 %	135 %
Total revenue (excluding capital transfers and contributions)	4 142 510 360	(805 637)	4 141 704 723	-	-	4 141 704 723	4 417 691 388	-	275 986 665	107 %	107 %
Employee costs	(1 718 787 762)	62 186 523	(1 656 601 239)	-	-	(1 656 601 239)	(1 719 879 215)	-	(63 277 976)	104 %	100 %
Remuneration of councillors	(69 547 125)	4 040 000	(65 507 125)	-	-	(65 507 125)	(67 201 568)	-	(1 694 443)	103 %	97 %
Debt impairment	(381 587 981)	(639 175 896)	(1 020 763 877)	-	-	(1 020 763 877)	(735 087 880)	-	285 675 997	72 %	193 %
Depreciation and asset impairment	(322 031 308)	92 157 790	(229 873 518)	-	-	(229 873 518)	(794 714 188)	-	(564 840 670)	346 %	247 %
Finance charges	(125 892 036)	12 000 000	(113 892 036)	-	-	(113 892 036)	(162 496 348)	-	(48 604 312)	143 %	129 %
Materials and bulk purchases	(623 508 227)	238 981 776	(384 526 451)	-	-	(384 526 451)	(311 146 661)	-	73 379 790	81 %	50 %
Transfers and grants	(33 937 980)	5 584 971	(28 353 009)	-	-	(28 353 009)	(26 002 000)	-	2 351 009	92 %	77 %
Other expenditure	(945 284 835)	150 920 217	(794 364 618)	-	-	(794 364 618)	(877 696 521)	-	(83 331 903)	110 %	93 %
Total expenditure	(4 220 577 254)	(73 304 619)	(4 293 881 873)	-	-	(4 293 881 873)	(4 694 224 381)	-	(400 342 508)	109 %	111 %
Surplus/(Deficit)	(78 066 894)	(74 110 256)	(152 177 150)	-	-	(152 177 150)	(276 532 993)	-	(124 355 843)	182 %	354 %
Transfers recognised - capital	1 077 940 000	(301 700 000)	776 240 000	-	-	776 240 000	504 197 188	-	(272 042 812)	65 %	47 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	223 400	-	223 400	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	999 873 106	(375 810 256)	624 062 850	-	-	624 062 850	227 887 595	-	(396 175 255)	37 %	23 %
Surplus/(Deficit) for the year	999 873 106	(375 810 256)	624 062 850	-	-	624 062 850	227 887 595	-	(396 175 255)	37 %	23 %

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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	1 123 942 763	(479 928 503)	644 014 260	-		644 014 260	307 865 811		(336 148 449)	48 %	27 %
Sources of capital funds											
Transfers recognised - capital	961 339 310	(405 391 858)	555 947 452	-		555 947 452	252 440 759		(303 506 693)	45 %	26 %
Borrowing	77 707 953	(8 500 000)	69 207 953	-		69 207 953	48 744 946		(20 463 007)	70 %	63 %
Internally generated funds	84 895 500	(66 036 645)	18 858 855	-		18 858 855	6 680 106		(12 178 749)	35 %	8 %
Total sources of capital funds	1 123 942 763	(479 928 503)	644 014 260	-		644 014 260	307 865 811		(336 148 449)	48 %	27 %

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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 assets	3 723 290 000	(1 665 415 000)	2 057 875 000	-		2 057 875 000	3 629 311 032		1 571 436 032	176 %	97 %
Total non-current assets	17 027 663 000	(1 350 958 000)	15 676 705 000	-		15 676 705 000	14 820 611 074		(856 093 926)	95 %	87 %
Total current liabilities	3 643 563 000	(1 888 148 000)	1 755 415 000	-		1 755 415 000	2 770 156 473		1 014 741 473	158 %	76 %
Total non-current liabilities	2 318 207 000	51 142 000	2 369 349 000	-		2 369 349 000	1 933 134 163		(436 214 837)	82 %	83 %
Community wealth / Equity	14 789 183 000	(1 179 367 000)	13 609 816 000	-		13 609 816 000	13 746 631 470		136 815 470	101 %	93 %
Cash flows											
Net cash from (used) operating	1 291 471 000	(918 140 000)	373 331 000	-		373 331 000	801 828 880		428 497 880	215 %	62 %
Net cash from (used) investing	(939 336 000)	392 815 000	(546 521 000)	-		(546 521 000)	(245 302 784)		301 218 216	45 %	26 %
Net cash from (used) financing	4 222 000	(75 262 000)	(71 040 000)	-		(71 040 000)	(275 725 253)		(204 685 253)	388 %	(6 531)%
Net increase/(decrease) in cash and cash equivalents	356 357 000	(600 587 000)	(244 230 000)	-		(244 230 000)	280 800 843		525 030 843	(115)%	79 %
Cash and cash equivalents at the beginning of the year	103 851 000	(91 269 000)	12 582 000	-		12 582 000	114 430 316		101 848 316	909 %	110 %
Cash and cash equivalents at year end	460 208 000	(691 856 000)	(231 648 000)	-		(231 648 000)	395 231 159		626 879 159	(171)%	86 %

Refer to note 69 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, except for the changes set out in note 55 Changes in accounting policy.

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 Materiality

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

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

1.3 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 for stock to write stock 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.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale 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.

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 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 goodwill and 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 1.7 and 1.5. These estimates are 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 entity 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.

1.4 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.

Accounting Policies

1.4 Investment property (continued)

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.

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 (as per 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 (as per 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).

1.5 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.

Accounting Policies

1.5 Property, plant and equipment (continued)

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

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

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

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

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

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 the 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 the 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	10 - 55

Accounting Policies

1.5 Property, plant and equipment (continued)

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
Sewerage and mains	Straight line	10 - 60
Water network	Straight line	5 - 100
Security	Straight line	10
Housing	Straight line	5 - 30
Other vehicles	Straight line	5 - 20
Other assets	Straight line	3 - 20
Zoo animals	Straight line	https://animaldiversity.org/

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.

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 are no further economic benefits or service potential expected from the use of the asset.

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

Assets 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 entity.

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).

1.6 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 an 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 entity 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.

Accounting Policies

1.7 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.

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
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 (refer to 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 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).

1.8 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.

Accounting Policies

1.8 Heritage assets (continued)

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.

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 the 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).

1.9 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.

1.10 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.

Accounting Policies

1.10 Financial instruments (continued)

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.

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.

Accounting Policies

1.10 Financial instruments (continued)

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;
- 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 instruments (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 instrument 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

1.10 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

Accounting Policies

1.10 Financial instruments (continued)

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.

The entity assesses 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

1.10 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 recognises 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

1.10 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.

1.11 Statutory receivables

Identification

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

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

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

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

Recognition

The entity recognises statutory receivables:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Accrued interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions, whichever is applicable.

Other charges

Accounting Policies

1.11 Statutory receivables (continued)

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

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

Statutory receivables 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, statutory receivables 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;
- 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 statutory receivables (statutory receivables with similar credit risk characteristics grouped together) since the initial recognition of those receivables. The decrease may not yet be identified for the individual financial receivable 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.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, the entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

The entity derecognises a statutory receivable, or a part thereof, when:

Accounting Policies

1.11 Statutory receivables (continued)

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable 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 receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.12 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.

1.13 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.

1.14 Inventories

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

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

Accounting Policies

1.14 Inventories (continued)

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.

1.15 Impairment of cash-generating assets

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

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

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

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

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

Depreciation and 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.

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.

Accounting Policies

1.15 Impairment of cash-generating assets (continued)

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 tests 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

1.15 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

1.15 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.

1.16 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 and 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

1.16 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

1.16 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 (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.

1.17 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.

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

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

A constructive obligation is an obligation that derives from an 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

1.17 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 recognises 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 recognises 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 recognises 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

1.17 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 recognises 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 recognises 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

1.17 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 [OR 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

1.17 Employee benefits (continued)

Other long term employee benefits

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.

1.18 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

1.18 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

1.18 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 tests 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 1.15 and 1.16.

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.

1.19 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.

1.20 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

1.20 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:

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

1.21 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an 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

1.21 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

1.21 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 discloses the nature and type of services in-kind received during the reporting period.

Concessionary loans received

A concessionary loan is a loan granted to, or received by an 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 entity 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.

1.22 Investment income

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

Accounting Policies

1.23 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.

1.24 Accounting by principals and agents

Identification

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

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

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

Identifying whether an entity is a principal or an agent

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

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

Binding arrangement

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

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

Assessing which entity benefits from the transactions with third parties

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

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

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

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

Recognition

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

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

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

1.25 Comparative figures

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

Accounting Policies

1.26 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 62 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.27 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 63 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.28 Irregular expenditure

Irregular expenditure as defined by 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 sections 170
- b) the Municipal Systems Act (Act No.32 of 2000),
- c) the Public Office Bearers Act (Act No. 20 of 1998)
- d) the requirements of the entity's supply chain management policy of the municipality or municipal entity or in 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 64 to the annual financial statements as required by the Municipal Finance Management Act, (Act No. 56 of 2003).

1.29 Internal reserves

Self insurance reserve

The entity has a Self Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be 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 external insurance broker and is reinstated or increased by a transfer from the accumulated surplus or deficit.

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

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.

Accounting Policies

1.30 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 assets 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).

1.31 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.

1.32 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 an 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 not on the same basis of accounting as determined by National Treasury. Explanatory comments to material differences are provided in note 69 to the annual financial statements.

1.33 Related parties

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

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

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

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

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

Management are those persons responsible for planning, directing and controlling the activities of the 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.

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

Accounting Policies

1.33 Related parties (continued)

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

1.34 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.

1.35 Service concession arrangements: Entity as grantor

Identification

Service concession arrangement is a contractual arrangement between a grantor and an operator in which an operator uses the services concession asset to provide a mandated function on behalf of a grantor for a specified period, where the operator is compensated for its services over the period of service concession arrangement.

A grantor is the entity that grants the right to use the service concession asset to the operator.

A mandated function involves the delivery of a public service by an operator on behalf of a grantor that falls within the grantor's mandate.

An operator is the entity that uses the service concession asset to provide a mandated function subject to the grantor's control of the asset.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
 - the operator constructs, develops, or acquires from a third party; or
 - is an existing asset of the operator; or
- is provided by the grantor which:
 - is an existing asset of the grantor; or
 - is an upgrade to an existing asset of the grantor.

Recognition of asset and liability

The entity recognises an asset provided by the operator and an upgrade to an existing asset of the entity, as a service concession asset if the entity controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price, and if 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. This applies to an asset used in a service concession arrangement for its entire economic life (a "whole-of-life" asset).

After initial recognition or reclassification, service concession assets are clearly identified from other assets within the same asset category, and are clearly identified from owned and/or leased assets.

Where the entity recognises a service concession asset, and the asset is not an existing asset of the entity (grantor), the entity (grantor) also recognises a liability.

The entity does not recognise a liability when an existing asset of the entity is reclassified as a service concession asset, except in circumstances where additional consideration is provided by the operator.

Measurement of asset and liability

The entity initially measures the service concession asset as follows:

- Where the asset is not an existing asset of the entity, the asset is measured at its fair value.
- Where the asset is an existing asset of the entity and it meets the recognition criteria of a service concession asset, the asset is reclassified as a service concession asset, and the asset is accounted for in accordance with the policy on Investment property, Property, plant and equipment, Intangible assets, or Heritage assets, as appropriate.

Accounting Policies

1.35 Service concession arrangements: Entity as grantor (continued)

The entity initially measures the liability at the same amount as the service concession asset, adjusted by the amount of any other consideration from the entity to the operator, or from the operator to the entity.

Financial liability model

Where the entity has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition, or upgrade of a service concession asset, the entity accounts for the liability as a financial liability.

The entity allocates the payments to the operator and accounts for them according to their substance as a reduction in the liability recognised, a finance charge, and charges for services provided by the operator.

The finance charge and charges for services provided by the operator in a service concession arrangement are accounted for as expenses.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments from the entity to the operator are allocated by reference to the relative fair values of the service concession asset and the services.

Where the asset and service components are not separately identifiable, the service component of payments from the entity to the operator is determined using estimation techniques.

Grant of a right to the operator model

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

The entity recognises revenue and reduces the liability according to the substance of the service concession arrangement.

Dividing the arrangement

If the entity pays for the construction, development, acquisition, or upgrade of a service concession asset partly by incurring a financial liability and partly by the grant of a right to the operator, it accounts separately for each part of the total liability.

Other liabilities, contingent liabilities and contingent assets

The entity accounts for other liabilities, contingent liabilities, and contingent assets arising from a service concession arrangement in accordance with the policy on Provisions, Contingent liabilities and contingent assets and Financial instruments.

Other revenues

The entity accounts for revenues from a service concession arrangement, other than those relating to the grant of a right to the operator model, in accordance with the Standard of GRAP on Revenue from exchange transactions.

Recognition of the performance obligation and the right to receive a significant interest in a service concession asset

If the entity controls a significant residual interest in a service concession asset at the end of the service concession arrangement through ownership, beneficial entitlement or otherwise, and the arrangement does not constitute a finance or an operating lease, the entity recognises its right to receive the residual interest (i.e. a receivable) in the service concession asset at the commencement of the arrangement.

The right to receive a residual interest in the service concession asset to be received at the end of the arrangement, is an exchange consideration. This is because the entity will receive an asset in exchange for granting the operator access to the asset while providing a mandated function on its behalf in accordance with the substance of the arrangement.

In terms of the policy on Revenue from exchange transactions, the exchange consideration is recognised and measured at fair value. The value of the receivable (the right to the residual interest in the asset), receivable at the end of the service concession arrangement, reflects the value of the service concession asset as if it were already in the age and in the condition expected at the end of the service concession arrangement.

When the entity recognises the right to receive a residual interest in the service concession asset, it also recognises its performance obligation for granting the operator access to the service concession asset in accordance with the substance of the arrangement. The value of the performance obligation is the same as the receivable interest recognised at the commencement of the service concession arrangement.

The performance obligation is reduced and revenue is recognised based on the substance of the arrangement.

Where service concession arrangements include provisions to adjust the arrangement for changes, the effect of such changes is deemed to have taken place at the inception of the service concession arrangements.

Mangaung Metropolitan Municipality

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Accounting Policies

1.36 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.

Mangaung Metropolitan Municipality

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Figures in Rand

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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 municipality 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:
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	
• GRAP 20: Related parties	01 April 2019	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	
• GRAP 107: Mergers	01 April 2019	
• GRAP 108: Statutory Receivables	01 April 2019	
• GRAP 109: Accounting by Principals and Agents	01 April 2019	
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	
• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	

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 accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2020	Unlikely there will be a material impact

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3. Inventories		
Consumable stores	5 375 057	5 518 890
Fuel (diesel, petrol)	1 298 286	519 109
Maintenance materials	1 025 244	1 097 664
Unsold properties held for resale	340 270 016	483 383 713
Water for distribution (in pipes and reservoirs)	3 448 527	3 386 464
Inventory - Work in progress	161 395 234	-
	512 812 364	493 905 840
Inventory recognised as an expense		
Inventories recognised as an expense during the year	26 053 663	33 665 969
Inventories written off	193 757	148 334
	26 247 420	33 814 303
Inventory pledged as security		
No inventory was pledged as security for any financial liability.		
4. Consumer receivables from non-exchange transactions		
Rates - Gross balance	1 622 311 890	1 324 898 673
Rates - Impairment	(773 648 935)	(639 632 315)
	848 662 955	685 266 358
Ageing of Rates receivables		
Current (0 - 30 days)	213 660 703	97 036 465
31 - 60 days	59 927 431	62 220 818
61 - 90 days	51 974 109	52 068 537
91+ days	1 296 749 647	1 113 572 853
Gross balance	1 622 311 890	1 324 898 673
Less: Allowance for impairment	(773 648 935)	(639 632 315)
	848 662 955	685 266 358

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4. Consumer receivables from non-exchange transactions (continued)		
Summary by customer classification		
Residential and sundry		
Current (0 - 30 days)	32 421 528	34 655 744
31 - 60 days	20 827 881	20 541 907
61 - 90 days	17 689 916	16 692 646
90+ days	545 832 433	445 301 506
Gross balance	616 771 758	517 191 803
Less: Allowance for impairment	(505 853 015)	(430 002 363)
	110 918 743	87 189 440
Business / commercial		
Current (0 - 30 days)	35 236 317	32 298 001
31 - 60 days	22 686 935	14 159 977
61 - 90 days	18 134 519	8 714 624
91+ days	280 596 258	236 024 799
Gross balance	356 654 029	291 197 401
Less: Allowance for impairment	(267 795 920)	(209 629 952)
	88 858 109	81 567 449
Government		
Current (0 - 30 days)	146 002 858	30 082 720
31 - 60 days	16 412 616	27 518 934
61 - 90 days	16 149 674	26 661 267
91+ days	470 320 955	432 246 548
	648 886 103	516 509 469

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 2020, R 112 436 164 (2019: R 114 289 355) were past due but not impaired.

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

1 month past due	59 927 431	62 220 818
2 months past due	51 974 109	52 068 537

Consumer receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 773 648 935 (2019: R 639 632 315) were impaired and provided for.

The ageing of these loans is as follows:

Over 3 months	773 648 935	639 632 315
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Notes to the Annual Financial Statements

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4. Consumer receivables from non-exchange transactions (continued)			
Reconciliation of provision for impairment of consumer receivables from non-exchange transactions			
Opening balance	639 632 315	512 318 544	
Provision for impairment	134 016 620	127 313 771	
	773 648 935	639 632 315	
Due to the limitations on the financial system, it is impractical to disclose the impaired interest on consumer receivables from non-exchange transactions.			
5. Consumer receivables from exchange transactions			
Net balance			
Water	560 580 256	518 560 825	
Sewerage	310 713 099	237 706 889	
Refuse	55 192 293	46 010 044	
Housing rental	5 305 453	3 614 965	
	931 791 101	805 892 723	
Net balance reconciliation			
Net balance reconciliation - 2020			
	Gross balance	Impairment	Net balance
Water	2 527 251 797	(1 966 671 541)	560 580 256
Sewerage	752 984 159	(442 271 060)	310 713 099
Refuse	306 035 724	(250 843 431)	55 192 293
Housing rental	37 160 971	(31 855 518)	5 305 453
	3 623 432 651	(2 691 641 550)	931 791 101
Net balance reconciliation - 2019			
	Gross balance	Impairment	Net balance
Water	2 196 173 243	(1 677 612 418)	518 560 825
Sewerage	605 977 562	(368 270 673)	237 706 889
Refuse	254 651 093	(208 641 049)	46 010 044
Housing rental	30 206 747	(26 591 782)	3 614 965
	3 087 008 645	(2 281 115 922)	805 892 723
Water			
Current (0 -30 days)	87 454 130	95 998 388	
31 - 60 days	58 029 994	61 304 263	
61 - 90 days	44 106 535	55 692 092	
91+ days	2 314 469 732	1 966 131 640	
Meter reading estimate	23 191 406	17 046 860	
Gross balance	2 527 251 797	2 196 173 243	
Less: Allowance for impairment	(1 966 671 541)	(1 677 612 418)	
	560 580 256	518 560 825	
Sewerage			
Current (0 -30 days)	28 747 538	30 112 860	
31 - 60 days	21 420 396	20 719 224	
61 - 90 days	19 182 257	17 935 402	
91 - 120 days	683 633 968	537 210 076	
Gross balance	752 984 159	605 977 562	
Less: Allowance for impairment	(442 271 060)	(368 270 673)	
	310 713 099	237 706 889	

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5. Consumer receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	9 905 567	10 563 456
31 - 60 days	7 432 774	7 703 608
61 - 90 days	6 716 308	6 823 090
91+ days	281 981 075	229 560 939
Gross balance	306 035 724	254 651 093
Less: Allowance for impairment	(250 843 431)	(208 641 049)
	55 192 293	46 010 044
Housing rental		
Current (0 -30 days)	1 863 592	1 498 538
31 - 60 days	737 780	645 550
61 - 90 days	714 917	648 973
91+ days	34 206 048	27 413 686
Gross balance	37 522 337	30 206 747
Less: Allowance for impairment	(31 855 518)	(26 591 782)
	5 666 819	3 614 965
Summary of debtors by customer classification		
Residential and sundry		
Current (0 -30 days)	92 296 565	95 646 589
31 - 60 days	55 094 599	61 801 475
61 - 90 days	48 963 059	58 326 889
91+ days	2 457 964 218	2 078 548 628
Meter reading estimate	23 191 406	17 046 860
	2 677 509 847	2 311 370 441
Less: Allowance for impairment	(2 374 660 313)	(2 027 515 738)
	302 849 534	283 854 703
Business / commercial		
Current (0 -30 days)	19 710 281	26 555 349
31 - 60 days	15 003 726	10 586 076
61 - 90 days	8 989 594	10 384 949
91 - 120 days	365 417 884	291 659 880
	409 121 485	339 186 254
Less: Allowance for impairment	(316 981 237)	(253 600 184)
	92 140 248	85 586 070
National and provincial government		
Current (0 -30 days)	15 602 614	15 971 303
31 - 60 days	17 522 619	17 985 095
61 - 90 days	12 767 364	12 387 719
91+ days	490 908 722	390 107 833
	536 801 319	436 451 950
Total		
Current (0 -30 days)	127 609 460	138 173 241
31 - 60 days	87 620 944	90 372 646
61 - 90 days	70 720 017	81 099 557
91+ days	3 314 290 824	2 760 316 341
Meter reading estimate	23 191 406	17 046 860
	3 623 432 651	3 087 008 645
Less: Allowance for impairment	(2 691 641 550)	(2 281 115 922)
	931 791 101	805 892 723

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5. Consumer receivables from exchange transactions (continued)

Consumer debtors pledged as security

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

Credit quality of consumer debtors

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 debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 158 340 961 (2019: R 171 472 203) were past due but not impaired.

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

1 month past due	87 620 944	90 372 646
2 months past due	70 720 018	81 099 557

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R 2 691 641 550 (2019: R 2 281 115 922) were impaired and provided for.

The amount of the provision was R 2 691 641 550 as of 30 June 2020 (2019: R 2 281 115 922).

The ageing of these loans is as follows:

Over 3 months	2 691 641 550	2 281 115 922
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Reconciliation of allowance for impairment of consumer debtors

Opening balance	2 281 115 922	1 989 060 889
Allowance for impairment	410 525 628	292 055 033
	2 691 641 550	2 281 115 922

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	274 646 292	276 820 019
Fines receivables - Impairment	(274 246 022)	(276 213 605)
Grants receivables	114 350 195	114 350 195
Grants receivables - Impairment	(114 350 195)	(114 350 195)
	400 270	606 414

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.

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

Credit quality of other receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past 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.

Other receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R 124,951,115 (2019: R 390,563,800) were impaired and provided for.

The amount of the provision was R 124,951,115 as of 30 June 2020 (2019: R 390,563,800).

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	276 213 605	225 777 675
Provision for impairment adjustment	(265 612 685)	50 435 930
	10 600 920	276 213 605

Reconciliation of provision for impairment of Grants receivables

Opening balance	114 350 195	111 584 929
Provision for impairment adjustment	-	2 765 266
	114 350 195	114 350 195

7. Other receivables from exchange transactions

Interest on investments	83 451	203 598
Staff leave days receivable	12 706	94 358
Deferred lease	1 009 308	516 625
Prepaid water vendors	4 193 099	8 940 996
Overpayment of contractors	19 351 080	21 661 661
Impairment - Overpayment of contractors	(19 351 079)	(21 661 660)
Sundry receivables	111 641 549	87 055 704
Impairment - Sundry receivables	(53 664 322)	(40 718 412)
	63 275 792	56 092 870

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 nor 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 2020, R 3 533 476 (2019: R 4 584 416) were past due but not impaired.

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

1 month past due	3 533 476	4 584 416
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7. Other receivables from exchange transactions (continued)		
Other receivables from exchange transactions impaired		
As of 30 June 2020, other receivables from exchange transactions of R 65 977 230 (2019: R 62 380 072) were impaired and provided for.		
The amount of the provision was R 65 977 230 as of 30 June 2020 (2019: R 62 380 072).		
The ageing of these loans is as follows:		
Over 3 months	65 977 230	62 380 072
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	62 380 071	36 610 485
Provision for impairment	3 564 768	25 769 586
	65 944 839	62 380 071
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	94 237 340	88 797 949
VAT is payable on the payment basis. VAT is paid over to SARS only once payment is received from debtors.		
9. Centlec intercompany loan		
Centlec intercompany loan	776 203 042	507 497 129
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 10.25% (2019: 10.00%).		
10. Centlec receivables		
Controlled entities		
Shareholders loan	803 609 368	1 071 479 157
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.		
The adjusted interest rate as at 30 June 2020 was 16.01% (2019: 15.40%). The applicable rate for the current year and the prior year was based on the adjusted CPI as per the Public Finance Sector.		
The loan is repayable from 2015 over a period of 21 years.		
Capital advances	67 700 656	74 397 665
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 10.25% (2019: 10.00%).		
	871 310 024	1 145 876 822
Non-current assets	864 613 015	871 310 024
Current assets	6 697 009	274 566 798
	871 310 024	1 145 876 822

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11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	137 049	133 749
Bank balances	42 723 910	30 039 186
Short-term deposits	352 370 200	84 257 381
	395 231 159	114 430 316

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 (2019: 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

BB+	-	114 296 567
Ba1	395 094 110	-
	395 094 110	114 296 567

Cash and cash equivalents pledged as collateral

Total financial assets pledged as collateral for the COID Reserve	30	24 481 528	21 909 130
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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 entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
Nedbank - Primary Account - 1186196793	34 258 129	20 122 282	-	34 258 129	20 122 282	-
Nedbank - Traffic - 1186245379	11 290	1 590	-	11 290	1 590	-
Nedbank - Charges - 1186660643	(37 293)	(28 685)	-	(37 293)	(28 685)	-
Nedbank - Cashiers - 1186239778	562 784	(6 667)	-	1 795 925	939 908	-
Nedbank - Fresh Produce Market - 1186414936	5 926 673	4 032 826	-	5 926 673	4 032 826	-
ABSA - Primary account - 470 000 465	769 186	4 502 279	12 015 461	769 186	4 502 279	12 015 461
ABSA - Fresh Produce - 470 001 348	-	468 986	4 469 209	-	468 986	4 471 209
ABSA - Direct deposits - 470 001 380	-	-	-	-	-	2 741 227
First National Bank - Current account - 624 019 56729	-	-	659 524	-	-	659 524
Total	41 490 769	29 092 611	17 144 194	42 723 910	30 039 186	19 887 421

Summary of short term deposits held

Short term deposits held with ABSA	24 481 528	70 963 078
Short term deposits held with FNB	-	697 275
Short term deposits held with Nedbank	327 888 672	6 680 591
Short term deposits held with Standard bank	-	5 916 437
	352 370 200	84 257 381

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12. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1 571 238 441	-	1 571 238 441	1 570 113 653	-	1 570 113 653

Reconciliation of investment property - 2020

	Opening balance	Fair value adjustments	Total
Investment property	1 570 113 653	1 124 788	1 571 238 441

Reconciliation of investment property - 2019

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

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 is 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 is available for inspection at the registered office of the entity.

Details of valuation

The effective date of the valuation was 30 June 2020. 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

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13. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 607 455 235	-	1 607 455 235	1 612 482 236	-	1 612 482 236
Buildings	1 062 025 108	(103 498 011)	958 527 097	1 061 452 775	(69 899 927)	991 552 848
Buildings - Service concession asset	304 959 226	(56 691 877)	248 267 349	304 959 226	(41 383 071)	263 576 155
Buildings WIP	5 663 502	-	5 663 502	4 220 268	-	4 220 268
Infrastructure - Roads and roads related	5 822 279 992	(3 004 921 997)	2 817 357 995	5 737 770 400	(2 669 337 151)	3 068 433 249
Infrastructure - Sanitation network	3 439 174 793	(867 112 748)	2 572 062 045	3 410 555 587	(739 869 298)	2 670 686 289
Infrastructure - Water meters	201 583 935	(38 106 229)	163 477 706	181 388 508	(17 217 733)	164 170 775
Infrastructure - Water network	2 446 136 899	(936 445 518)	1 509 691 381	2 410 324 970	(857 848 150)	1 552 476 820
Infrastructure - WIP	574 412 605	-	574 412 605	519 484 019	-	519 484 019
Community - Landfill sites and quarries	708 848 611	(496 402 141)	212 446 470	677 961 142	(448 040 290)	229 920 852
Community - Other	1 334 739 440	(609 832 275)	724 907 165	1 309 288 014	(548 829 792)	760 458 222
Community - WIP	99 639 240	-	99 639 240	130 682 977	-	130 682 977
Fleet	528 218 824	(161 911 813)	366 307 011	412 108 712	(123 732 149)	288 376 563
Zoo animals	4 574 265	(1 850 264)	2 724 001	5 520 165	1	5 520 166
Other property, plant and equipment	121 190 587	(89 621 950)	31 568 637	118 047 410	(77 677 775)	40 369 635
Infrastructure - Roads and roads related - Service Concession asset	196 882 933	(36 890 481)	159 992 452	196 882 933	(21 611 172)	175 271 761
Infrastructure - Sanitation network - Service Concession asset	29 731 906	(2 083 538)	27 648 368	29 731 906	(1 351 570)	28 380 336
Infrastructure - Water network - Service concession asset	14 836 180	(1 000 596)	13 835 584	14 836 180	(654 266)	14 181 914
Total	18 502 353 281	(6 406 369 438)	12 095 983 843	18 137 697 428	(5 617 452 343)	12 520 245 085

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP Additions and WIP Transfers	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 612 482 236	-	-	(580 001)	(4 447 000)	-	-	-	1 607 455 235
Buildings	991 552 848	572 333	-	-	-	-	(33 598 084)	-	958 527 097
Buildings - Service concession asset	263 576 155	-	-	-	-	-	(15 308 806)	-	248 267 349
Buildings WIP	4 220 268	1 443 234	-	-	-	-	-	-	5 663 502
Infrastructure - Roads and roads related	3 068 433 249	42 842 424	43 504 161	(217 982)	-	-	(337 203 857)	-	2 817 357 995
Infrastructure - Sanitation network	2 670 686 289	340 880	28 278 327	-	-	-	(127 243 451)	-	2 572 062 045
Infrastructure - Water meters	164 170 775	22 229 875	3 205 380	(4 480 376)	-	-	(21 647 948)	-	163 477 706
Infrastructure - Water network	1 552 476 820	25 208 785	14 257 207	(2 366 382)	-	-	(79 885 049)	-	1 509 691 381
Infrastructure - WIP	519 484 019	144 401 343	(89 472 757)	-	-	-	-	-	574 412 605
Community - Landfill sites and quarries	229 920 852	5 331 666	9 630 100	-	-	15 925 704	(48 361 852)	-	212 446 470
Community - Other	760 458 222	4 052 294	23 539 702	(295 157)	-	-	(61 520 869)	(1 327 027)	724 907 165
Community - WIP	130 682 977	2 126 065	(33 169 802)	-	-	-	-	-	99 639 240
Fleet	288 376 563	116 110 113	-	-	-	-	(29 475 716)	(8 703 949)	366 307 011
Zoo animals	5 520 166	223 400	-	(106 846)	-	(854 244)	(297 059)	(1 761 416)	2 724 001
Other property, plant and equipment	40 369 635	3 196 631	-	(34 610)	-	-	(11 963 019)	-	31 568 637
Infrastructure - Roads and roads related - Service Concession asset	175 271 761	-	-	-	-	-	(15 279 309)	-	159 992 452
Infrastructure - Sanitation network - Service Concession asset	28 380 336	-	-	-	-	-	(731 968)	-	27 648 368
Infrastructure - Water network - Service concession asset	14 181 914	-	-	-	-	-	(346 330)	-	13 835 584
	12 520 245 085	368 079 043	(227 682)	(8 081 354)	(4 447 000)	15 071 460	(782 863 317)	(11 792 392)	12 095 983 843

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13. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	WIP Additions and WIP Transfers	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	1 620 760 935	1 000	-	(128 000)	(8 151 699)	-	-	-	1 612 482 236
Buildings	1 023 278 508	2 519 888	-	-	-	-	(34 245 548)	-	991 552 848
Buildings - Service concession asset	281 540 063	-	-	-	-	-	(17 963 908)	-	263 576 155
Buildings WIP	3 791 836	428 432	-	-	-	-	-	-	4 220 268
Infrastructure - Roads and roads related	3 283 852 835	36 549 721	136 675 516	(1 829 076)	-	-	(386 815 747)	-	3 068 433 249
Infrastructure - Sanitation network	2 399 883 338	97 541 860	296 255 825	-	-	-	(122 994 734)	-	2 670 686 289
Infrastructure - Water meters	136 321 817	56 322 198	-	(10 789 825)	-	-	(17 683 415)	-	164 170 775
Infrastructure - Water network	1 519 802 658	32 756 227	86 482 910	(2 844 308)	-	-	(83 720 667)	-	1 552 476 820
Infrastructure - WIP	708 249 674	-	(188 765 655)	-	-	-	-	-	519 484 019
Community - Landfill sites and quarries	171 867 445	-	-	-	-	87 393 419	(29 340 012)	-	229 920 852
Community - Other	821 695 285	3 636 812	3 541 397	(582 541)	-	-	(67 782 675)	(50 056)	760 458 222
Community - WIP	101 286 130	32 938 244	(3 541 397)	-	-	-	-	-	130 682 977
Fleet	266 087 392	44 720 184	-	-	-	-	(21 547 477)	(883 536)	288 376 563
Zoo animals	5 549 089	613 900	-	(612 899)	-	289 355	(319 279)	-	5 520 166
Other property, plant and equipment	47 914 096	6 154 798	-	(6 587)	-	-	(13 692 672)	-	40 369 635
Infrastructure - Roads and roads related - Service Concession asset	196 882 933	-	-	-	-	-	(21 611 172)	-	175 271 761
Infrastructure - Sanitation network - Service Concession asset	29 731 906	-	-	-	-	-	(1 351 570)	-	28 380 336
Infrastructure - Water network - Service concession asset	14 836 180	-	-	-	-	-	(654 266)	-	14 181 914
	12 633 332 120	314 183 264	330 648 596	(16 793 236)	(8 151 699)	87 682 774	(819 723 142)	(933 592)	12 520 245 085

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Fleet	172 234 323	73 030 601
Other property, plant and equipment	453 582	4 229 837
	172 687 905	77 260 438

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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 2020. 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.

The entity's asset management policy requires the verification of all moveable assets on an annual basis. However, due to the Covid-19 pandemic, the verification exercise could not be completed for all moveable assets.

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13. Property, plant and equipment (continued)		
Property, plant and equipment in the process of being constructed or developed		
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Contract C155 - Relocation of the zoo The project was halted during the 2019 financial year due to budgetary constraints.	17 213 348	17 213 348
Project T1610A(S1201) - Upgrade of streets and Storm Water The project was cancelled at inception stage.	1 892 624	1 892 624
Project Bid455 - Development Park – Wepener Project was delayed due to COVID19.	24 587	24 587
Project T1429B, B1 & B2 - Upgrade MAN Rd11548 Project delayed due to slow progress and lack of cooperation from contractor.	6 824 642	5 859 979
Project C273/PP3 & C534 - Botshabelo Development Node Phase 2 Project long outstanding due to delayed payments.	22 315 370	21 079 336
Project T1430C - Upgrading of streets & stormwater The project was halted during the 2019 financial year due to budgetary constraints.no construction activities taking place	1 551 790	1 551 790
Project C415/B1 - Internal sewer reticulation The project was halted during the 2019 financial year due to community unrest.	9 981 631	9 981 631
Project T1527A & A(1) - Bochabela: Mompoti Street The project was halted and no further action was taken yet.	8 959 611	5 953 384
Project C582/I1 & C273/C21 - Fort Hare truck route The project was delayed due to slow moving progress.	11 619 049	1 822 843
Project C582/A1 & C273/KK6A - Moshoeshoe trunk route The project was delayed due to slow moving progress.	14 616 266	6 112 691
Project C582/C1 & C273/C22 - Chief Moroka crescent trunk road The project was delayed due to slow moving progress.	16 197 998	8 363 674
Project C273/KK6D - IPTN Bus depot The project was halted due to community unrest, COVID19, additional work to be done and subcontractors appointed.	37 391 595	21 805 140
	148 588 511	101 661 027
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	179 171 121	227 136 523

Deemed cost

Deemed cost was determined using depreciated replacement cost.

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14. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	13 695 731	(8 050 901)	5 644 830	14 194 411	(8 043 439)	6 150 972
Intangible assets under development - WIP	2 699 560	-	2 699 560	-	-	-
Servitudes	305 707	-	305 707	305 707	-	305 707
Total	16 700 998	(8 050 901)	8 650 097	14 500 118	(8 043 439)	6 456 679

Reconciliation of intangible assets - 2020

	Opening balance	Additions	WIP Additions and WIP Transfers	Disposals	Amortisation	Total
Computer software	6 150 972	242 820	-	(132 861)	(616 101)	5 644 830
Intangible assets under development - WIP	-	-	2 699 560	-	-	2 699 560
Servitudes	305 707	-	-	-	-	305 707
	6 456 679	242 820	2 699 560	(132 861)	(616 101)	8 650 097

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

Pledged as security

No intangible assets have 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, including servitudes, is deemed to have an indefinite useful life.

Deemed cost

Deemed cost was determined using depreciated replacement cost.

Mangaung Metropolitan Municipality

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15. Heritage assets

	2020			2019		
	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 2020

Heritage assets	Opening balance 279 968 687	Total 279 968 687
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Reconciliation of heritage assets 2019

Heritage assets	Opening balance 279 968 687	Total 279 968 687
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Pledged as security

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

Revaluations

Other 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.

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.

16. Investments in controlled entities

Name of company	Held by	% holding	% holding	Carrying amount	Carrying amount
		2020	2019	2020	2019
Centlec (SOC) Limited	Mangaung Metropolitan Municipality	100,00 %	100,00 %	100	100

The carrying amounts of controlled entities are shown net of impairment losses.

Mangaung Metropolitan Municipality

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17. Non-current receivables		
Designated at fair value		
2535 Unlisted shares - OVK Limited	37 594	37 022
2573 Unlisted shares - OVK Limited	40 782	40 267
3685 Unlisted shares - Senwes Ltd	25 700	26 859
	104 076	104 148
At amortised cost		
Housing and erven selling schemes	12 676 422	12 507 581
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	6 084 330	7 258 724
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	18 760 752	19 766 305
Impairment - Cricket stadium	(12 623 607)	(12 456 171)
	(6 084 330)	(7 258 724)
	52 815	51 410
Total other financial assets	156 891	155 558
Non-current assets		
Designated at fair value	104 076	104 148
At amortised cost	52 815	51 410
	156 891	155 558
Financial assets at fair value		
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	104 076	104 148
Financial assets at amortised cost		
Financial assets at amortised cost past due but not impaired		
Non-current receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2020, none of the non-current receivables were past due but not impaired.		
Financial assets at amortised cost impaired		
As of 30 June 2020, non-current receivables of R 18 707 937 (2019: R 19 714 895) were impaired and provided for.		
The amount of the provision was R 18 707 937 as of 30 June 2020 (2019: R 19,714,895).		

Mangaung Metropolitan Municipality
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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
17. Non-current receivables (continued)		
The ageing of these loans is as follows.		
Over 3 months	18 707 937	19 714 895
Reconciliation of provision for impairment of financial assets at amortised cost		
Impairment of Housing and erven selling schemes		
Opening balance	12 456 171	12 299 959
Provision for impairment adjustment	167 436	156 212
	12 623 607	12 456 171
Impairment of Cricket stadium		
Opening balance	7 258 724	8 127 615
Provision for impairment adjustment	(1 174 394)	(868 891)
	6 084 330	7 258 724
Non-current receivables pledged as security		
None of the non-current receivables were pledged as security for any financial liability.		
18. Payables from exchange transactions		
Accrued bonus	35 134 920	36 775 877
Accrued leave pay	226 754 650	179 061 094
Claims - Unfair dismissal	4 879 817	4 879 817
Other creditors	26 000	26 000
Other payables - Grants	979 450	979 450
Other payables - Salary related	69 373 663	68 514 702
Retentions	100 495 524	98 317 599
Trade payables	857 774 542	840 876 293
	1 295 418 566	1 229 430 832
The entity defaulted on the payment of suppliers within 30 days. The average term of payment of suppliers for the year was 284 days (2019: 186 days)		
19. Payables from non-exchange transactions		
Deposits	911 748	858 889
Other	2 499 765	2 416 377
Payments received in advance	262 913 740	283 016 008
	266 325 253	286 291 274
20. Consumer deposits		
Water	33 599 273	33 349 144

Guarantees in lieu of consumer deposits amounted to R 2,614,769 (2019: R 2,517,079).

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.

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Figures in Rand	2020	2019
20. Consumer deposits (continued)		
Fair values of financial liabilities measured or disclosed at fair value		
Level 1		
Water	33 599 273	33 349 144
21. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
City of Ghent - Youth development grant	481 950	481 950
Sports, arts and culture - Admin libraries grant	3 450 862	710 188
Expanded public work programme incentive grant	1 375 087	1 963 000
Public transport infrastructure grant	103 044 313	59 771 976
Municipal disaster recovery grant	69 815 066	139 630 132
Municipal human settlement capacity grant	2 000 000	2 000 000
Sustainable human settlement grant	1 595 782	1 595 782
Municipal systems improvement grant	1 055 000	1 055 000
Department of telecoms and postal services grant	1 133 554	1 133 554
Neighbourhood development grant	11 757 795	3 732 275
Integrated city development grant	7 192 099	3 428 424
Urban settlement development grant	233 327 552	243 576 206
	436 229 060	459 078 487

See note 38 for reconciliation of grants from National/Provincial Government.

Additional information

Included in the unspent grants balance are grants for which the roll-over has already been denied and which should be reverted back to National Treasury. These are as follows:

Expanded public works programme incentive grant	950 000	-
Integrated city development grant	1 700 000	-
Urban settlement development grant	81 949 634	79 587 182
Public transport infrastructure grant	15 649 300	28 461 094
Neighbourhood development grant	1 800 000	75 724
Municipal disaster recovery grant	69 815 066	-
	171 864 000	108 124 000

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22. Finance lease obligation		
Finance lease obligation	148 755 920	70 315 350
Minimum lease payments due		
- within one year	86 559 722	34 898 379
- in second to fifth year inclusive	79 840 782	45 209 027
	166 400 504	80 107 406
less: future finance charges	(17 644 584)	(9 792 056)
Present value of minimum lease payments	148 755 920	70 315 350
Present value of minimum lease payments due		
- within one year	74 143 072	28 654 747
- in second to fifth year inclusive	74 612 848	41 660 603
	148 755 920	70 315 350
Non-current liabilities	74 561 668	41 660 603
Current liabilities	74 194 252	28 654 747
	148 755 920	70 315 350

The entity leases various equipment and vehicles under finance leases. The average 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	102 758 539	112 439 845
DBSA - FS1034/02	29 030 696	31 904 514
DBSA - 6100 7294	215 276 846	241 645 066
Standard Bank - Loan 33714314	171 139 150	223 488 090
ABSA - Loan	378 639 888	417 687 066
	896 845 119	1 027 164 581

Total other financial liabilities

896 845 119 1 027 164 581

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 706 254 111 868 583 041

Current liabilities

At amortised cost 190 591 008 158 581 540

Financial liabilities at amortised cost

Mangaung Metropolitan Municipality

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24. Provisions

Rehabilitation of landfill sites	222 478 573	237 366 838
Rehabilitation of quarry sites	429 364 124	398 550 154
	651 842 697	635 916 992

Reconciliation of provisions - 2020

	Opening Balance	Re-assessment	Total
Rehabilitation of landfill sites	237 366 838	(14 888 265)	222 478 573
Rehabilitation of quarry sites	398 550 154	30 813 970	429 364 124
	635 916 992	15 925 705	651 842 697

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

Non-current liabilities	178 043 636	178 043 636
Current liabilities	473 799 061	457 873 356
	651 842 697	635 916 992

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 9.914% (2019: 12.074%) for the circumstances of the entity.

Landfill sites consists of:	Restoration date:
Botshabelo Landfill Site	2116
Northern Landfill Site	2022
Southern Landfill Site	2037
Van Stadensrus Landfill Site	2033
Wepener Landfill Site	2034
Dewetsdorp	2028
Soutpan/Ikgomotseng Landfill site	2023

The final restoration of landfill sites is 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 is uncertain and the amounts disclosed are the possible outflow amounts.

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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 9.914% (2019: 12.074%) for the circumstances of the entity.

Quarries consists of: Restoration date:

Bloemfontein

Cecelia	2021
Sunnyside	2021
Kgotsong	2020
Ipopeng	2020
Chris Hanu	2020
Caleb Motsoabi	2020
N1	2020

Botshabelo

K-Section	2020
F1-Section	2020
F2.1-Section	2020
F2.2-Section	2020
W-Section	2020
S-Section	2020
B-Section	2020

Thaba Nchu

Seroala	2020
Thubisi	2020
Putsane	2020
Merino	2020
Rhakoi	2020
Sediba	2020
Rooibult	2020
Kgalala	2020
Baraclava 1	2020
Baraclava	2020
Bultfontein 3	2020
Modutung	2020
Talla	2020
Nogas Post	2020

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.

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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 awards

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		
Opening balance	538 815 163	720 561 000
Interest costs	48 358 443	73 138 000
Current service costs	26 313 532	38 583 000
Benefits paid	(28 102 632)	(27 536 802)
Actuarial (gains)/losses	(82 858 877)	(265 930 035)
	502 525 629	538 815 163

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

Opening balance	538 815 163	720 561 000
Interest cost	48 358 443	73 138 000
Current service costs	26 313 532	38 583 000
Benefits paid	(28 102 632)	(27 536 802)
Actuarial (gains)/losses	(82 858 877)	(265 930 035)
	502 525 629	538 815 163

Changes in present value of defined benefit obligation

2019	Pension fund	Medical aid	Long service award	Total
Defined benefit obligation as at 30 June 2018	4 536 000	612 318 000	103 707 000	720 561 000
Interest cost	405 000	63 877 000	8 856 000	73 138 000
Current service cost	56 000	28 184 000	10 343 000	38 583 000
Benefits paid	(275 952)	(11 960 432)	(15 300 418)	(27 536 802)
Actuarial gains/losses	(2 439 293)	(253 954 886)	(9 535 856)	(265 930 035)
	2 281 755	438 463 682	98 069 726	538 815 163

Mangaung Metropolitan Municipality
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25. Employee benefit obligations (continued)

2020	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 costs	155 741	41 031 448	7 171 254	48 358 443
Current service costs	-	17 039 615	9 273 917	26 313 532
Benefits paid	(290 016)	(13 411 651)	(14 400 965)	(28 102 632)
Actuarial gains/losses	(155 851)	(90 829 094)	8 126 068	(82 858 877)
	1 991 629	392 294 000	108 240 000	502 525 629

Key assumptions used

Assumptions used at the reporting date:

Discount rate - Pension fund	5,47 %	7,28 %
Discount rate - Medical aid	10,54 %	9,50 %
Discount rate - Long service award	6,98 %	7,88 %
Expected increase in healthcare costs	6,57 %	6,95 %
Inflation rate - Medical aid	4,55 %	4,84 %
Salary inflation rate - Long service award	3,75 %	5,38 %
Expected retirement age (years)	62	62

A health care cost inflation rate of 6.57% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.07%.

A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 3.73% which derives from $((1+10.54\%)/(1+6.57\%))-1$.

The expected inflation assumption of 5.07% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (4.72%) and those of fixed interest bonds (10.54%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+10.54\%-0.50\%)/(1+4.72\%))-1$.

Withdrawal rate assumptions:

In the absence of credible past withdrawal data for these particular schemes, the withdrawal assumptions have been set in line with those generally observed in the South African market.

The withdrawal rates vary from 3% to 9% for the age group 20 - 50 years, while the estimated withdrawal rate from 55 years is calculated at 0%.

Other assumptions

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

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	426 429 000	353 916 000
Effect on the aggregate of the service cost	15 203 000	11 593 000
Effect on the aggregate of the interest cost	44 214 000	36 576 000

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

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	502 525 629	538 815 163	720 561 000	825 686 000	723 671 000

26. FRESHCO Liability

FRESHCO Liability	<u>177 776 030</u>	<u>191 903 926</u>
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26. FRESHCO Liability (continued)

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 33 – 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.

27. Land availability liability

Hillside view 293 973 089 294 475 115

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, as well as 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.

28. Revaluation reserve

Opening balance	925 449 343	948 965 140
Revaluation of assets	-	289 355
Realisation of revaluation reserve - through depreciation	(20 350 468)	(23 782 188)
Realisation of revaluation reserve - through disposal	-	(22 964)
	905 098 875	925 449 343

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

29. Self-insurance reserve

Opening balance	10 000 000	5 000 000
Contributions received	416 673	5 094 475
Insurance claims processed	(416 673)	(94 475)
	10 000 000	10 000 000

30. COID reserve

Opening balance	20 922 250	16 690 714
Contributions received	2 718 755	5 450 081
Insurance claims processed	(1 353 730)	(1 218 545)
	22 287 275	20 922 250

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31. Revenue		
Service charges	1 326 373 449	1 242 813 818
Rental of facilities and equipment	46 910 288	45 993 141
Gain or loss on exchange differences	-	1 000
Fair value adjustments	1 124 715	3 777 387
Actuarial gains/losses	82 858 877	265 930 035
Other income from exchange transactions	60 700 017	107 795 843
Interest received from exchange transactions	427 920 120	431 107 315
Dividends received	2 849	1 420
Property rates	1 334 854 287	1 209 977 460
Interest received from non-exchange transactions	62 804 076	69 751 900
Government grants & subsidies	1 556 357 427	1 871 199 842
Public contributions and donations	223 400	1 397 194
Fines, penalties and forfeits	16 770 072	60 802 042
	4 916 899 577	5 310 548 397
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	1 326 373 449	1 242 813 818
Rental of facilities and equipment	46 910 288	45 993 141
Gain or loss on exchange differences	-	1 000
Fair value adjustments	1 124 715	3 777 387
Actuarial gains/losses	82 858 877	265 930 035
Other income from exchange transactions	60 700 017	107 795 843
Interest received from exchange transactions	427 920 120	431 107 315
Dividends received	2 849	1 420
	1 945 890 315	2 097 419 959
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	1 334 854 287	1 209 977 460
Interest received from non-exchange transactions	62 804 076	69 751 900
Transfer revenue		
Government grants & subsidies	1 556 357 427	1 871 199 842
Public contributions and donations	223 400	1 397 194
Fines, penalties and forfeits	16 770 072	60 802 042
	2 971 009 262	3 213 128 438
32. Service charges		
Sale of water - Conventional meters	779 490 891	756 641 825
Sale of water - Prepaid meters	53 901 725	41 220 347
Sewerage and sanitation charges	357 633 792	323 382 930
Refuse removal	134 651 857	120 875 772
Other service charges	695 184	692 944
	1 326 373 449	1 242 813 818
33. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	45 750 100	44 671 361
Rental of equipment	1 160 188	1 321 780
	46 910 288	45 993 141

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34. Other income from exchange transactions		
Advertising	2 369 105	2 291 551
Grave plots	3 036 193	3 438 295
Building plan fees	4 363 727	5 635 138
Commission - Fresh produce market	23 866 015	23 954 183
Entrance fees	710 656	1 343 670
Clearance certificates	2 834 504	2 538 164
Insurance collection	1 118 482	4 514 269
Parking	1 560 682	1 329 788
Sale of tender documents	750 147	1 284 575
Training	2 660 840	3 401 397
Service concession revenue*	11 134 854	52 784 311
Sale of erven	1 322 747	470 624
Sundry income	4 972 065	4 809 878
	60 700 017	107 795 843

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

35. Investment revenue

Dividend revenue

Unlisted financial assets - Local	2 849	1 420
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Interest revenue

Centlec (SOC) Limited - Capital advances	7 625 761	8 109 467
Centlec (SOC) Limited - Intercompany loan	62 582 404	50 934 642
Centlec (SOC) Limited - Shareholders loan	171 577 388	164 965 040
Interest charged on consumer and other receivables - exchange transactions	173 423 498	190 020 003
Interest charged on consumer and other receivables - non-exchange transactions	62 804 076	69 751 900
Interest charged on non-current receivables	507 257	619 296
Interest earned on cash and cash equivalents	12 203 812	16 456 595
Rent on land	-	2 272
	490 724 196	500 859 215
	490 727 045	500 860 635

36. Fair value adjustments

Investment property (Fair value model)	1 124 788	3 773 218
Non-current financial assets at fair value	(73)	4 169
	1 124 715	3 777 387

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37. Property rates

Rates received

Residential and business / commercial	1 057 911 094	962 468 282
Government	276 943 193	247 509 178
	1 334 854 287	1 209 977 460

Valuations

Residential	68 452 458 163	67 983 442 143
Commercial	22 060 662 133	21 322 728 293
Government	13 391 217 899	13 527 418 019
Municipal	4 284 822 158	4 315 506 158
	108 189 160 353	107 149 094 613

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.

2020:

From 1 July 2019 the basic rates were adjusted as follows:

- R0.002010 on the value of rateable farm property
- R0.008038 on the value of rateable residential property
- R0.033016 on the value of rateable government property
- R0.033016 on the value of rateable business/commercial property
- R0.008038 on the value of public service infrastructure

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

38. Government grants and subsidies

Operating grants

Equitable share	735 867 000	683 500 000
Fuel levy	311 514 000	308 296 000
Finance management grant	3 000 000	3 345 000
Sports, arts and culture - Admin libraries grant	759 325	1 917 128
Expanded public works programme incentive grant	1 019 914	460 000
Municipal disaster recovery grant	-	99 403 868
National electrification programme grant	-	15 450 000
	1 052 160 239	1 112 371 996

Capital grants

Public transport infrastructure and network systems grant	142 213 268	203 519 697
Neighbourhood development grant	98 756	9 116 449
Integrated city development grant	1 317 326	3 778 576
Urban settlement development grant	360 567 838	542 413 124
	504 197 188	758 827 846
	1 556 357 427	1 871 199 842

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Figures in Rand 2020 2019

38. Government grants and subsidies (continued)

Equitable Share

Current year receipts	735 867 000	683 500 000
Conditions met - transferred to revenue	(735 867 000)	(683 500 000)
	-	-

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	311 514 000	308 296 000
Conditions met - transferred to revenue	(311 514 000)	(308 296 000)
	-	-

The fuel levy is allocated to the entity from the General Fuel Levy Revenue Fund.

Finance management grant

Current-year receipts	3 000 000	3 345 000
Conditions met - transferred to revenue	(3 000 000)	(3 345 000)
	-	-

The purpose of the grant is to promote and support reforms to financial management and the implementation of the MFMA.

City of Ghent

Balance unspent at beginning of year	481 950	481 950
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Conditions still to be met - remain liabilities (see note 21).

The grant is given by the City of Ghent for youth development.

Sports, arts and culture - Admin libraries

Balance unspent at beginning of year	710 188	627 315
Current-year receipts	3 500 000	2 000 000
Conditions met - transferred to revenue	(759 326)	(1 917 127)
	3 450 862	710 188

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.

Expanded public works programme incentive grant

Balance unspent at beginning of year	1 963 000	-
Current-year receipts	1 382 000	2 423 000
Conditions met - transferred to revenue	(1 019 913)	(460 000)
Surrendered to National Treasury	(950 000)	-
	1 375 087	1 963 000

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

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.

Included in the unspent grant balance is R 950,000 for which the roll-over has already been denied and which should be reverted back to National Treasury.

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Figures in Rand	2020	2019
38. Government grants and subsidies (continued)		
Public transport infrastructure and network systems grant		
Balance unspent at beginning of year	59 771 976	85 317 578
Current-year receipts	229 596 000	234 831 000
Conditions met - transferred to revenue	(142 213 269)	(203 519 697)
Surrendered to National Treasury	(44 110 394)	(56 856 905)
	103 044 313	59 771 976

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.

Included in the unspent grant balance is R 15,650,700 (2019: R 28,461,094) for which the roll-over has already been denied and which should be reverted back to National Treasury.

Municipal disaster recovery grant

Balance unspent at beginning of year	139 630 132	-
Current-year receipts	-	239 034 000
Conditions met - transferred to revenue	-	(99 403 868)
Surrendered to National Treasury	(69 815 066)	-
	69 815 066	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.

Included in the unspent grant balance is R 69,815,066 for which the roll-over has already been denied and which should be reverted back to National Treasury.

National electrification grant

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

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.

The current year allocation relating to National electrification grant amounting to R26 million was incorporated to the urban settlement development grant by DoRA.

Municipal human settlement capacity grant

Balance unspent at beginning of year	2 000 000	2 000 000
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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.

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.

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38. Government grants and subsidies (continued)

Municipal systems improvement grant

Balance unspent at beginning of year	1 055 000	-
Current-year receipts	-	1 055 000
	1 055 000	1 055 000

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.

Department of telecoms and postal services

Balance unspent at beginning of year	1 133 554	1 133 554
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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.

Neighbourhood development grant

Balance unspent at beginning of year	3 732 275	-
Current-year receipts	10 000 000	13 000 000
Conditions met - transferred to revenue	(98 756)	(9 116 449)
Surrendered to National Treasury	(1 875 724)	(151 276)
	11 757 795	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.

Included in the unspent grant balance is R 1,800,000 (2019: R 75,724) for which the roll-over has already been denied and which should be reverted back to National Treasury.

Integrated city development grant

Balance unspent at beginning of year	3 428 424	-
Current-year receipts	6 781 000	7 207 000
Conditions met - transferred to revenue	(1 317 325)	(3 778 576)
Surrendered to National Treasury	(1 700 000)	-
	7 192 099	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.

Included in the unspent grant balance is R 1,700,000 for which the roll-over has already been denied and which should be reverted back to National Treasury.

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38. Government grants and subsidies (continued)		
Urban settlement development grant		
Balance unspent at beginning of year	243 576 206	238 579 148
Current-year receipts	511 856 000	706 402 000
Conditions met - transferred to revenue	(360 567 838)	(542 413 123)
Surrendered to National Treasury	(161 536 816)	(158 991 819)
	233 327 552	243 576 206

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.

Included in the unspent grant balance is R 81,950,366 (2019: R 79,587,182) for which the roll-over has already been denied and which should be reverted back to National Treasury.

The current year allocation relating to National electrification grant amounting to R26 million was incorporated to the Urban settlement development grant by DoRA.

National Treasury allowed for R62 million of the Urban settlement development grant to be used for COVID19 expenditure. Included in the conditions met - transferred to revenue is R32 993 433 relating to COVID19 expenditure.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 4 of 2020), 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 and donations	223 400	1 397 194
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40. Fines, penalties and forfeits

Fines	15 981 459	55 597 633
Unclaimed deposits and stale cheques	788 613	5 204 409
	16 770 072	60 802 042

Mangaung Metropolitan Municipality

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Figures in Rand 2020 2019

41. Employee related costs

Basic salaries and wages	1 084 236 502	1 062 508 324
Contributions to Pension funds	162 273 684	155 812 816
Contributions to medical aid	87 694 022	82 888 466
Contributions to UIF	6 197 498	6 495 821
Leave pay	60 433 295	71 065 869
Travel, motor car, accommodation, subsistence and other allowances	115 047 773	112 398 573
Overtime, shift and standby allowances	172 316 081	190 465 541
Housing benefits and allowances	5 366 828	4 714 594
Defined benefit plan - Current service costs	26 313 532	38 583 000
	1 719 879 215	1 724 933 004

Remuneration of key management

2020

	Annual Remuneration	Car and other allowances	Contributions to UIF, Medical Aid and Pension Funds	Total
City Manager - Adv TB Mea	1 566 467	504 000	320 937	2 391 404
Chief Financial Officer - S Mofokeng	1 227 031	976 665	69 408	2 273 104
HOD - Corporate Services - DSR Nkaiseng	1 177 719	448 068	282 962	1 908 749
HOD - Economic and Rural Development - TA Maine	1 409 628	139 200	360 806	1 909 634
HOD - Engineering - M Ndlovu	1 161 093	523 018	225 925	1 910 036
HOD - Human Settlements - Adv MJN Phaladi	1 261 733	370 214	278 124	1 910 071
HOD - Planning - BS Mthembu	1 121 751	523 706	264 100	1 909 557
HOD - Social Services - MG Nkungwana	1 382 223	199 200	328 005	1 909 428
HOD - Waste and Fleet Management - S More	1 874 280	19 200	19 253	1 912 733
Head of Police - KI Kgamanyane	1 180 655	465 620	262 996	1 909 271
	13 362 580	4 168 891	2 412 516	19 943 987

2019

	Annual Remuneration	Car and other allowances	Contributions to UIF, Medical Aid and Pension Funds	Total
City Manager - Adv TB Mea	1 777 267	355 500	323 907	2 456 674
Chief Financial Officer - S Mofokeng	641 626	285 857	35 207	962 690
Acting Chief Financial Officer - KS Rapulungoane*	419 854	254 270	91 201	765 325
HOD - Corporate Services - DSR Nkaiseng	1 192 776	447 593	259 689	1 900 058
HOD - Economic and Rural Development - TA Maine	1 418 305	139 200	343 153	1 900 658
HOD - Engineering - M Ndlovu	1 189 510	507 903	204 526	1 901 939
HOD - Human Settlements - Adv MJN Phaladi	1 182 910	471 648	248 437	1 902 995
HOD - Planning - BS Mthembu	1 140 121	507 336	255 379	1 902 836
HOD - Social Services - MG Nkungwana	1 389 717	199 200	312 300	1 901 217
HOD - Waste and Fleet Management - S More	1 831 276	54 200	20 674	1 906 150
Head of Police - KI Kgamanyane	1 193 043	483 989	222 926	1 899 958
	13 376 405	3 706 696	2 317 399	19 400 500

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

42. Remuneration of councillors

Councillors allowance	47 587 908	44 891 451
Councillors pension contributions	1 731 145	1 762 162
Councillors medical aid contributions	691 548	585 967
Travel allowance	12 669 774	12 740 682
Cell phone allowance	4 446 947	4 388 700
Housing allowance	74 246	65 247
	67 201 568	64 434 209

Mangaung Metropolitan Municipality

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2020

2019

42. Remuneration of councillors (continued)

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.

Analysis of Councillors Remuneration

2020

	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Executive Mayor - SM Mlamleli	1 404 260	-	44 400	1 448 660
Deputy Executive Mayor - LA Masoetsa	731 899	121 612	324 537	1 178 048
Speaker - MA Siyonzana	816 446	17 280	344 783	1 178 509
Chief Whip - ZE Mancotywa	703 687	117 275	291 329	1 112 291
MMC: SMME and Rural Development - VE Jonas	804 103	17 280	291 329	1 112 712
MMC: Community and Social Services - MM Mahase	804 103	17 280	291 329	1 112 712
MMC: Transport & Public Safety - NP Monyakoana	821 383	-	291 329	1 112 712
MMC: Human Settlement - G Thipenyane	703 711	117 701	291 329	1 112 741
MMC: Spatial Planning and Land Use Management - M Nkhabu	804 215	17 280	291 329	1 112 824
MMC: Rural Development - J Nothnagel	821 383	-	291 329	1 112 712
MMC: Environmental Management - XD Pongolo	703 687	117 697	291 329	1 112 713
MMC: Corporate Services - NA Morake	804 103	17 280	291 329	1 112 712
MMC: Finance, IDP and Performance Management - LM Titi-Odili	804 103	17 280	291 329	1 112 712
S79 Chairperson: Motions and Petitions - MJ Nkoe	682 604	114 685	284 085	1 081 374
S79 Chairperson: Remunerations and Benefits Committee - MM Shounyana	682 604	114 685	284 085	1 081 374
S79 Chairperson: Municipal Public Accounts Committee - MM Tladi	780 009	17 280	284 085	1 081 374
Chairperson: Geographical and Street Naming Committee - NA Ratsiu	697 630	99 659	284 085	1 081 374
Section 79 Chairperson: Rules - MM Mothibi-Nkoane	797 289	-	284 085	1 081 374
Subtotal	14 367 219	924 274	5 047 435	20 338 928
Part-time councillors	33 220 687	1 498 419	12 143 538	46 862 644
	47 587 906	2 422 693	17 190 973	67 201 572

2019

	Councillor allowance	Contributions to Pension and Medical aid	Travel, cellphone and other allowances	Total
Executive Mayor - SM Mlamleli	1 350 250	-	44 400	1 394 650
Deputy Executive Mayor - LA Masoetsa	692 163	121 104	324 537	1 137 804
Speaker - MA Siyonzana	772 825	17 280	344 784	1 134 889
Chief Whip - ZE Mancotywa	673 581	118 317	291 329	1 083 227
Mayoral committee members	6 709 022	320 121	2 621 957	9 651 100
Subtotal	10 197 841	576 822	3 627 007	14 401 670
Part-time Councillors	34 693 611	1 771 306	13 578 724	50 043 641
	44 891 452	2 348 128	17 205 731	64 445 311

43. Depreciation and amortisation

Property, plant and equipment	782 863 314	817 919 924
Intangible assets	616 101	761 070
	783 479 415	818 680 994

Mangaung Metropolitan Municipality

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Notes to the Annual Financial Statements

Figures in Rand	2020	2019
44. Impairment loss or reversal of impairments		
Impairments		
Property, plant and equipment	11 234 773	933 592
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		
Non-current borrowings	102 120 406	109 930 191
Trade and other payables	6 151 525	5 310 415
Finance leases	5 865 974	5 416 783
Employee benefit obligation	48 358 443	73 138 000
	162 496 348	193 795 389
46. Debt impairment and bad debt write off		
Debt impairment	513 679 369	469 079 357
Bad debts written off	221 408 511	349 974 014
	735 087 880	819 053 371
During the financial year, the write off amounting to R 206,380,916 (2019: R349,974,014) related to the write off of indigent consumers' debt as at the date of registration on the indigent register.		
47. Bulk purchases		
Water	311 146 661	818 335 854
48. Contracted services		
Outsourced Services		
Burial services	2 385 617	1 622 712
Meter management services	7 142 598	8 710 717
Refuse removal services	1 553 018	6 278 811
Sewerage services	28 400 721	7 793 257
Consultants and Professional Services		
Business and advisory services	96 056 106	128 750 010
Infrastructure and planning services	7 243 037	2 632 283
Legal costs	61 559 127	44 966 371
Contractors		
Catering services	996 088	3 556 958
Electrical	1 115 570	1 122 915
Gardening services	1 952 218	2 538 570
Repairs and maintenance	179 171 121	227 136 523
Safeguard and security services	77 303 127	59 218 809
Other contracted services	967 622	14 778 464
	465 845 970	509 106 400

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Figures in Rand	2020	2019
49. Grants and subsidies paid		
Grants paid to municipal entities		
National electrification programme grant	26 000 000	15 450 000
Other grants and subsidies paid		
Cricket	-	2 387 700
Central agricultural society	-	25 846
Miscellaneous grants	2 000	4 246 254
	2 000	6 659 800
	26 002 000	22 109 800

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.

Miscellaneous grants:

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

50. General expenses

Animal costs	1 400 633	1 953 887
Auditors remuneration	19 326 259	19 723 277
Bank charges and commissions	13 511 532	12 889 521
Bulk SMS	1 032 950	-
Bursaries to employees	1 404 322	1 777 739
Chemicals	6 152 461	4 281 886
Operating lease expenditure	34 712 367	35 469 789
Consumables	20 693 301	11 281 154
Electricity	137 599 565	122 038 588
Fuel and oil	18 629 250	21 676 053
Indigent relief - Free electricity	21 942 222	19 604 165
Insurance	19 423 480	15 113 139
Inventory losses	2 315 913	1 697 513
Learnerships and internships	2 975 709	2 559 459
Marketing and advertising	1 252 904	3 998 881
Motor vehicle expenses	6 187 068	5 676 044
Postage and courier	5 394 484	9 073 636
Printing and stationery	3 259 200	4 914 081
Remuneration of ward committees	5 134 551	5 454 292
Water research	4 323 624	4 059 771
Royalties and license fees	9 753 448	17 701 566
Skills development levy	13 251 068	14 396 396
Subscriptions and membership fees	14 957 552	16 000 824
Sundry expenses	258 875	485 169
Telephone and fax	10 061 951	12 692 553
Title deed search fees	345 785	900 844
Transport and freight	1 432 866	2 664 347
Travel - local	5 437 279	8 441 244
Uniforms	4 182 792	4 636 598
Workmen's compensation	237 705	133 074
	386 591 116	381 295 490

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Figures in Rand	2020	2019
51. Cash generated from operations		
Surplus (deficit)	238 066 147	(60 703 497)
Adjustments for:		
Depreciation and amortisation	783 479 415	818 680 994
Loss on disposal of assets and liabilities	9 868 484	18 573 791
Fair value adjustments	(1 124 715)	(3 777 387)
Impairment loss	11 234 773	933 592
Movements in retirement benefit assets and liabilities	(36 289 534)	(181 745 837)
Gain on disposal of assets	-	(1 000)
Public contributions and donations	(223 400)	(1 397 194)
Unwinding of Freshco Liability	(14 127 896)	(14 127 896)
Unwinding of Land availability liability	(11 984 122)	(11 779 800)
Finance costs - Borrowings	102 120 406	109 930 191
Finance costs - Finance leases	5 865 974	5 416 783
Interest received	(179 710 406)	(173 693 803)
Changes in working capital:		
Inventories	(23 353 525)	15 104 872
Other receivables from exchange transactions	(7 182 922)	12 156 212
Consumer receivables from exchange transactions	(125 898 377)	(67 341 334)
Consumer receivables from non-exchange transactions	(163 396 597)	(144 425 825)
Payables from exchange transactions	65 987 738	170 018 918
VAT	(5 439 391)	(23 880 314)
Payables from non-exchange transactions	(19 966 021)	22 744 385
Unspent conditional grants and receipts	(22 849 427)	129 343 160
Centlec intercompany loan	185 064 033	234 404 745
Other receivables from non-exchange	206 144	2 158 852
	790 346 781	856 592 608

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52. Commitments

Commitments in respect of capital expenditure

Approved and contracted for

• Infrastructure assets	112 771 072	118 078 454
• Other assets	37 972 451	37 019 522
	150 743 523	155 097 976

The capital expenditure will be financed from

• Unspent conditional grants	150 743 523	155 097 976
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In the prior year, there were Commitments amounting to R2 970 676 which were erroneously not included in the balance disclosed. The comparative amount has been restated accordingly

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	-	117 790
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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	5 919 612	5 794 328
- in second to fifth year inclusive	18 307 618	21 636 043
- later than five years	23 247 435	28 927 319
	47 474 665	56 357 690

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 32,395,601 (2019: 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.

Mangaung Metropolitan Municipality

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53. Contingencies

Contingent assets

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

Bloemwater	-	313 600 131
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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	3 628 223	3 621 443
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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	263 242	13 938 054
Labour cases and employee related matters	5 000 000	5 000 000
Claims by individuals due to property damages in various incidents	1 316 184	125 000
Claims by individuals due to various incidents	146 254 760	91 696 429
	152 834 186	110 759 483

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54. Related parties

Relationships	
Accounting Officer	Adv TB Mea
Members of the Mayoral committee	Refer to note 42
Members of key management	Refer to note 41
Controlled entity	Centlec (SOC) Limited

The entity was placed under administration under Section 139(5)(a) and 139(5)(c) of the Constitution of the Republic of South Africa effective from 1 January 2020, and as per the terms of reference, the administrators have significant influence over the metro. Thus, during this period of temporary control, the Metro (and any entities it controls) is required to include as per the GRAP 20 all related party disclosures in its financial statements from the date that it was placed under administration.

The administrative team is comprised of the following members effective from 1 January 2020

- 1) Adv. Mzwakhe Mofokeng – Office of the Premier
- 2) Masechaba Sesing – Provincial Accountant General & CA
- 3) Dineo Mokheseng – Provincial COGTA
- 4) Ernest Mohlahlo – Acting Head Public Works & Infrastructure
- 5) Thomas Lindelo Mkaza – Vast experience in local government

The team will later be reinforced by representatives from National COGTA and National Treasury.

There were no related party transactions with any of the administrators listed above during the current year.

Related party balances

Investment in controlled entities		
Centlec (SOC) Limited	100	100
Loan accounts - Owning (to) by related parties		
Centlec (SOC) Limited - Shareholders loan	803 609 368	1 071 479 157
Centlec (SOC) Limited - Capital advances	67 700 656	74 397 665
Centlec (SOC) Limited - Intercompany loan	776 203 042	507 497 129

Refer to notes 9 and 10 for further details on these loans.

Related party transactions

Interest paid to (received from) related parties		
Centlec (SOC) Limited - Shareholders loan	(171 577 388)	(164 965 040)
Centlec (SOC) Limited - Capital advances	(7 625 761)	(8 109 467)
Centlec (SOC) Limited - Intercompany loan	(62 582 404)	(50 934 642)
Expenses paid to / (income received from) related parties		
Centlec (SOC) Limited - Grants paid - National electrification grant	26 000 000	15 450 000
Centlec (SOC) Limited - Grants paid - Free basic electricity	17 762 839	18 059 761
Centlec (SOC) Limited - Streetlight electricity consumption	72 070 304	70 911 055
Centlec (SOC) Limited - Municipal building electricity consumption	64 641 356	68 671 749
Centlec (SOC) Limited - Capital advance redemption	(6 697 009)	(6 697 009)
Centlec (SOC) Limited - Shareholder loan redemption	(267 869 789)	-
(Receipts) / Payments on behalf of related parties		
Centlec (SOC) Limited - Bank receipts	764	(30 054)
Transfers made to / (Received from) related parties		
Centlec (SOC) Limited - Cash transfers	(70 000 000)	(112 276 877)

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54. Related parties (continued)

Remuneration of management

Councillors/Mayoral committee members

Refer to note 42 for details relating to remuneration of councillors.

Councillors also have accounts with the entity for the provision of normal municipal services. These are not disclosed as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

Executive management

Refer to note 41 for details relating to the remuneration of executive management.

Executive management also have accounts with the entity for the provision of normal municipal services. These are not disclosed as it is done on terms and conditions which is no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and those terms and conditions are within the normal operating parameters established by the reporting entity's legal mandate.

No further transactions took place between the entity and key management personnel or their close family members during the reporting period.

55. Changes in accounting policy

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

GRAP 108 - Statutory Receivables

During the year, the entity changed its accounting policy with respect to the treatment of Fines receivables due to the adoption of GRAP 108 in accordance with the transitional provisions which provides for the prospective application of the derecognition and impairment principles.

The effect is as follows:

Statement of financial position		
Decrease in Other receivables from non-exchange transactions - Fines receivables Impairment	(276 820 019)	-
Statement of financial performance		
Increase in Debt impairment and bad debt write off - Bad debts written off	276 820 019	-
	<u>-</u>	<u>-</u>

GRAP 32 - Service Concession Arrangements

During the year the entity changed its accounting policy in line with the standard on Service Concession Arrangements due to the adoption of GRAP 32.

This had an effect on the disclosure of service concession assets as a separate class of assets. Refer to note 13 where this has been disclosed.

Statement of financial position		
Decrease in Carrying value of PPE - Buildings	-	(263 576 155)
Increase in Carrying value of PPE - Buildings - Service concession asset	-	263 576 155
	<u>-</u>	<u>-</u>

GRAP 20 - Related parties

During the year, the entity changed its accounting policy with respect to the treatment of related party transactions due to the adoption of GRAP 20. The standard requires a more disaggregated disclosure of related party transactions.

The change in accounting policy is made in accordance with its transitional provisions with allows for the prospective application of the disclosure requirements.

This has had an effect on the disclosure of councillors remuneration. Refer to notes 42 and 54 for further details.

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56. 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.

The effect of the change has resulted in a decrease in depreciation of R 69,460,625.

It is impracticable to estimate the effect on future periods as the remaining useful lives is reviewed at each reporting date.

Asset Class	Depreciation 2018/19	Depreciation 2019/20	Increase/ (Decrease) in Depreciation
Buildings	10 553 413	7 058 103	(3 495 310)
Community - Landfill sites & quarries	8 916 046	21 392 083	12 476 038
Community - Other	19 781 842	13 286 289	(6 495 553)
Infrastructure - Roads and roads related	192 418 660	132 663 085	(59 755 575)
Infrastructure - Sanitation	15 372 261	10 315 440	(5 056 820)
Infrastructure - Water	20 597 960	14 262 631	(6 335 328)
Infrastructure - Water meters	2 519 761	1 721 684	(798 077)
	270 159 943	200 699 315	(69 460 625)

57. 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 - Finance lease additions

During the current year it was noted that VAT for qualifying vehicle purchases were not claimed. The effect of the restatement is as follows:

Statement of financial position		
Increase in VAT Receivable	-	8 364 613
Decrease in Cost of PPE - Fleet	-	(8 359 426)
Decrease in Accumulated depreciation of PPE - Fleet	-	1 328 652
Increase in Accumulated surplus	-	(114 321)
Statement of financial performance		
Decrease in Depreciation	-	(1 219 518)
	-	-

2. Prior period error - VAT apportionment

During the current year the VAT was recovered for the apportionment of the 2019 VAT. The effect of the restatement is as follows:

Statement of financial position		
Decrease in VAT receivable	-	(1 821 693)
Statement of financial performance		
Increase in General expenses - Sundry expenditure	-	1 821 693
	-	-

3. Prior period error - Inventory identified

During the current year properties were identified which were not previously included in the properties register. The effect of the adjustment is as follows:

Statement of financial position		
Increase in Inventory - Unsold properties held for resale	-	920 000
Increase in Accumulated surplus	-	(920 000)
	-	-

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57. Prior period errors (continued)

4. Prior period error - CCTV Cameras

During the current year it was noted that a previous disposal recognised for CCTV cameras, was incorrectly recorded. The effect of the adjustment is as follows:

Statement of financial position		
Increase in Cost of PPE - Community assets	-	290 191
Increase in Accumulated depreciation of PPE - Community assets	-	(276 507)
Statement of financial performance		
Increase in Depreciation	-	6 832
Decrease in Loss on disposal of assets	-	(20 516)
	-	-

5. Prior period error - Payables not accrued

During the current year it was noted that the certain payables were not accrued for in the prior year. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(24 772 840)
Increase in VAT Receivable	-	3 069 586
Decrease in Accumulated surplus	-	441 287
Statement of financial performance		
Increase in General expenses - Insurance	-	32 607
Increase in General expenses - Indigent relief - Free electricity	-	310
Increase in Finance costs - Trade and other payables	-	21 517
Increase in Contracted services - Repairs and maintenance	-	9 208 042
Increase in Contracted services - Legal costs	-	6 041 924
Increase in Contracted services - Infrastructure and Planning services	-	308 110
Increase in Contracted services - Burial services	-	8 440
Increase in Contracted services - Other contracted services	-	116 665
Increase in Contracted services - Meter Management	-	2 065 795
Increase in Contracted services - Business and advisory services	-	3 330 325
Increase in Contracted services - Catering services	-	16 943
Increase in Contracted services - Gardening services	-	21 582
Increase in Contracted services - Electrical	-	89 707
	-	-

6. Prior period error - Accruals not reversed

During the current year it was noted that accruals created previously were not reversed when it was paid. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	1 740 570
Decrease in VAT Receivable	-	(111 173)
Accumulated surplus	-	(121 633)
Statement of financial performance		
Decrease in General expenses - Indigent relief - Free electricity	-	(1 507 785)
Decrease in Contracted services	-	21
	-	-

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57. Prior period errors (continued)

7. Prior period error - Impairment of receivables

During the current year it was noted that debtor accounts for employees were incorrectly included in the impairment calculation. The effect of the adjustment is as follows:

Statement of financial position	
Increase in Consumer receivables from exchange transactions	- 2 044 818
Increase in Other receivables from exchange transactions	- 32 390
Consumer receivables from non-exchange transactions	- 198 815
Decrease in VAT Receivable	- (191 612)
Statement of financial performance	
Decrease in Debt impairment and bad debt write off - Debt impairment	- (2 084 411)
	-
	-

8. Prior period error - Unbundling of PPE

During the prior year sufficient information was not provided to appropriately capitalise and calculate depreciation on capital expenditure. Information was subsequently received and depreciation recalculated. The effect of the restatement is as follows:

Statement of financial position	
Decrease in Accumulated depreciation of PPE - Roads and roads related	- 102 383
Decrease in Cost of PPE - Sanitation	- (6 528 151)
Increase in Cost of PPE - Water	- 6 528 151
Increase in Cost of PPE - Roads and roads related	- 9 042 961
Decrease in Cost of PPE - Community WIP	- (9 042 961)
Increase in Accumulated depreciation - Sanitation	- (221 918)
Increase in Accumulated depreciation - Water	- (62 865)
Statement of financial performance	
Increase in Depreciation	- 182 400
	-
	-

9. Prior period error - Leave accrual

During the current year the leave records were reviewed and leave transactions not processed on the system were identified and corrected. The effect of the restatement is as follows:

Statement of financial position	
Increase in Payables from exchange transactions - Leave accrual	- (50 377 729)
Decrease in Other receivables from exchange transactions - Staff leave days receivable	- (1 857 949)
Accumulated surplus	- 36 142 724
Statement of financial performance	
Increase in Employee related costs - Leave pay	- 16 092 954
	-
	-

10. Prior period error - Correction of project T1326D

Due to the availability of information relating to the costs for capital project T1326D the accounting records could not be completed. The effect of the restatement is as follows:

Statement of financial position	
Increase in Cost of PPE - Roads and roads related	- 1 480 261
Increase in Payables from exchange transactions - Trade payables	- (3 298 831)
Increase in VAT Receivable	- 430 282
Decrease in Accumulated depreciation of PPE - Roads and roads related	- 196 727
Statement of financial performance	
Increase in Depreciation	- 931 596
Increase in Loss on derecognition of assets	- 259 965
	-
	-

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57. Prior period errors (continued)

11. Prior period error - Employee benefit obligation

The 2018 balances for the Employee benefit obligation were misstated. This had an effect on the movement for the 2019 financial year. The balances were corrected during the current financial year. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Accumulated surplus	-	219 899 965
Statement of financial performance		
Increase in Finance cost - Employee benefit obligation	-	26 686 221
Increase in Employee related costs - Current service costs	-	11 898 089
Increase in Actuarial gains	-	(258 484 275)
	-	-

12. Prior period error - Electricity consumption

During the current year it was noted that municipal electricity consumption was incorrectly classified under contracted services. The effect of the restatement is as follows:

Statement of financial performance		
Increase in General expenses - Electricity	-	59 714 564
Decrease in Contracted services - Electrical	-	(59 714 564)
	-	-

13. Prior period error - Correction of project C415

Due to the availability of information relating to the costs for capital project C415 the accounting records could not be completed. The effect of the restatement is as follows:

Statement of financial position		
Increase in Payables from exchange transactions - Trade payables	-	(2 877 032)
Increase in VAT Receivable	-	375 265
Increase in Payables from exchange transactions - Retentions	-	(241 542)
Increase in Cost of PPE - Sanitation	-	1 541 599
Increase in Cost of PPE - Infrastructure WIP	-	1 201 710
Increase in Accumulated depreciation of PPE - Sanitation	-	(39 968)
Statement of financial performance		
Increase in Depreciation	-	39 968
	-	-

14. Prior period error - Interest charged

During the current year it was noted that interest was incorrectly charged on certain accounts. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Consumer receivables from exchange transactions - Water	-	(1 777 379)
Statement of financial performance		
Decrease in Interest received from exchange transactions	-	1 777 379
	-	-

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57. Prior period errors (continued)

15. Prior period error - Correction of project W1510C & W1510E

Due to the availability of information relating to the costs for capital project W1510C and W1510E the accounting records could not be completed. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Cost of PPE - Water	-	(12 108 980)
Decrease in Accumulated depreciation of PPE - Water	-	1 755 632
Decrease in Cost of PPE - Roads and roads related	-	(115 504)
Decrease in Accumulated depreciation of PPE - Roads and roads related	-	63 099
Increase in Payables from exchange transactions - Trade payables	-	(1 434 062)
Statement of financial performance		
Increase in Loss on derecognition of assets	-	4 700 232
Increase in Contracted services - Repairs and maintenance	-	8 958 314
Decrease in Depreciation	-	(1 818 731)
	-	-

16. Prior period error - Contribution to bulk infrastructure

During the current year it was noted that a contribution to bulk infrastructure was not recorded as revenue in prior periods. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions	-	7 148 301
Increase in Accumulated surplus	-	(7 148 301)
	-	-

17. Prior period error - Bulk purchases

During the current year it was noted that accruals related to bulk purchases were note reversed when the settlement agreement between the entity and Bloemwater was reached. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	40 716 832
Decrease in VAT Receivable	-	(4 606 006)
Statement of financial performance		
Decrease in Bulk purchases - Water	-	(36 110 826)
	-	-

18. Prior period error - Asset Accruals

During the current year it was noted that accruals created previously were note reversed when it was paid. The effect of the restatement is as follows:

Statement of financial position		
Decrease in Payables from exchange transactions - Trade payables	-	3 902 524
Decrease in Payables from exchange transactions - Retentions	-	1 233 400
Decrease in VAT Receivable	-	(764 092)
Decrease in Accumulated surplus	-	(4 371 832)
	-	-

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57. Prior period errors (continued)

19. Prior period error - Land availability liability

During the current year it was noted that the land availability liability was incorrectly recognised. The effect of the restatement is as follows:

Statement of financial position	
Decrease in Other receivables from exchange transactions - Sundry receivables	- (2 200 595)
Decrease in Land availability liability	- 104 575 909
Increase in Cost of PPE - Infrastructure WIP	- 1 947 294
Decrease in inventory - Unsold properties held for resale	- (38 166 326)
Decrease in Accumulated surplus	- (29 884 808)
Statement of financial performance	
Increase/decrease Other income - Service concession revenue	- (36 271 474)
	-
	-

20. Prior period error - Traffic fines

During the current year it was noted that traffic fines revenue was not recorded. The effect of the restatement is as follows:

Statement of financial position	
Increase in Other receivables from exchange transactions - Fines receivables	- 2 592 020
Increase in Other receivables from exchange transactions - Fines receivables - Impairment	- (2 592 020)
Statement of financial performance	
Increase in Fines, penalties and forfeits - Fines	- (2 592 020)
Increase in Debt impairment and bad debt written off - Debt impairment	- 2 592 020
	-
	-

21. Prior period error - Other from exchange transactions

During the prior year there was a sale of land which was incorrectly classified as interest received

Statement of financial performance	
Increase in other income	- (470 624)
Decrease in interest received	- 470 624
	-
	-

22. Prior period error - Commitments

During the current year, it was identified that there were Commitments amounts which were erroneously not included in the balance disclosed. The comparative amount has been restated accordingly and the effect of the restatement is as follows:

Contingent Assets	
Increase in Commitments - Infrastructure assets	- 2 970 676
	-
	-

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58. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Centlec receivables	-	871 310 024	-	871 310 024
Centlec intercompany loan	-	776 203 042	-	776 203 042
Non-current receivables	104 076	52 816	-	156 892
Other receivables from exchange transactions	-	69 931 091	-	69 931 091
Consumer receivables from exchange transactions	-	931 791 101	-	931 791 101
Cash and cash equivalents	-	395 094 110	-	395 094 110
Investment in controlled entity	-	-	100	100
	104 076	3 044 382 184	100	3 044 486 360

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Borrowings	-	896 845 119	-	896 845 119
Consumer deposits	33 599 273	-	-	33 599 273
Finance lease obligation	-	148 755 920	-	148 755 920
Payables from exchange transactions	-	1 033 528 992	-	1 033 528 992
Payables from non-exchange transactions	-	266 325 253	-	266 325 253
	33 599 273	2 345 455 284	-	2 379 054 557

2019

Financial assets

	At fair value	At amortised cost	At cost	Total
Centlec receivables	-	1 145 876 822	-	1 145 876 822
Centlec intercompany loan	-	507 497 129	-	507 497 129
Non-current receivables	104 149	51 410	-	155 559
Other receivables from exchange transactions	-	56 083 407	-	56 083 407
Consumer receivables from exchange transactions	-	805 892 724	-	805 892 724
Cash and cash equivalents	-	114 296 567	-	114 296 567
Investment in controlled entity	-	-	100	100
	104 149	2 629 698 059	100	2 629 802 308

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Borrowings	-	1 027 164 581	-	1 027 164 581
Consumer deposits	33 349 144	-	-	33 349 144
Finance lease obligation	-	70 315 350	-	70 315 350
Payables from exchange transactions	-	1 013 593 861	-	1 013 593 861
Payables from non-exchange transactions	-	286 291 274	-	286 291 274
	33 349 144	2 397 365 066	-	2 430 714 210

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59. Risk management

Financial risk management

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

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.

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.

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

At 30 June 2020	Less than 1 year	Between 1 and 5 years	Over 5 years
Borrowings	190 591 008	654 651 810	51 602 301
Finance lease obligations	74 194 252	74 561 668	-
Payables from exchange transactions	1 338 140 521	-	-
Payables from non-exchange transactions	266 325 253	-	-
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	1 248 062 292	-	-
Payables from non-exchange transactions	286 291 274	-	-

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59. Risk management (continued)

Credit risk

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

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

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

Financial instrument	2020	2019
Cash and cash equivalents	395 094 110	114 296 567
Centlec receivables	871 310 024	1 145 876 822
Centlec intercompany loan	776 203 042	507 497 129
Consumer receivables from exchange transactions	848 662 955	685 266 358
Other receivables from exchange transactions	63 275 792	56 092 870
Non-current receivables - at fair value	104 076	104 148
Non-current receivables - at amortised cost	52 815	51 410

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.

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 2020 and 2019, 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.

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60. 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.

During the current year, the entity was placed under section 139(5)(a) & (c) of the Constitution due to financial constraints. A financial recovery plan has been put in place and is closely monitored by Provincial Government. Adjustments were made to the budget of the current and next three financial years to ensure that financial stability is reached and maintained.

We draw attention to the fact that at 30 June 2020, the entity had an accumulated surplus of R 12 809 245 320 and that the entity's total assets exceed its liabilities by R 13 746 631 470.

The entity had a surplus of R 238 066 147 (2019: deficit R (60 703 497)) for the year. The current assets exceed the current liabilities by R 859 154 559 (2019: R 373 797 017).

The entity incurred material water losses, refer to note 65 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 positive cash movement during the current year, refer to the Cash Flow Statement on page 9.

Management has assessed the impact of the COVID-19 pandemic through various means and the result of the assessment is that the entity continues as a going concern based on the income generation potential and also grant allocation from National Treasury.

61. Events after the reporting date

There was a settlement agreement reached with Bloemwater on 9 December 2020, after the reporting date and before the annual financial statements were authorised for issue, whereby the liability as at 30 June 2020 was agreed to be R538 810 190..

62. Unauthorised expenditure

Opening balance as previously reported	2 268 781 595	4 324 935 858
Opening balance as restated	2 268 781 595	4 324 935 858
Add: Unauthorised expenditure - current period	1 165 090 884	1 363 962 321
Less: Amount written off by Council on 4 December 2018	-	(3 420 116 584)
Closing balance	3 433 872 479	2 268 781 595

Incidents identified 2019/20

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Executive Mayor		1 889 702	-	1 889 702
Overspending by Corporate Services		235 758 551	-	235 758 551
Overspending by Finance		24 893 732	-	24 893 732
Overspending by Social Services		60 683 815	-	60 683 815
Overspending by Planning		983 070	-	983 070
Overspending by Human Settlement and Housing		68 484 577	-	68 484 577
Overspending by Engineering		282 420 008	-	282 420 008
Overspending by Waste and Fleet Management		488 674 278	-	488 674 278
Overspending by Strategic Projects and Service Delivery		1 303 151	-	1 303 151
		1 165 090 884	-	1 165 090 884

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62. Unauthorised expenditure (continued)

Incidents identified 2018/19

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Overspending by Executive Mayor	None	2 007 003	-	2 007 003
Overspending by Corporate services	None	80 473 293	-	80 473 293
Overspending by Miscellaneous services	None	164 186 060	-	164 186 060
Overspending by Social services	None	38 821 773	-	38 821 773
Overspending by Engineering services	None	356 585 726	-	356 585 726
Overspending by Water services	None	663 908 445	-	663 908 445
Overspending by Waste and fleet management services	None	45 165 711	-	45 165 711
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
		1 363 962 321	-	1 363 962 321

Incidents identified 2017/18

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
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	98 697 148	-	98 697 148
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
		852 316 053	-	852 316 053

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)	-
Incorporation of the former Naledi Local Municipality	**	75 843 689	(62 815 000)	13 028 689
		819 867 814	(806 839 125)	13 028 689

* Written off by Council on 4 December 2018.

** The balance relates to the incorporation of the former Naledi Local Municipality. A portion of the balance was written off by Council on 31 August 2017. The remainder of the balance has been referred for further investigation. During the prior year the balance was not included in the disclosure for 2017, but was part of the balance reported as the total unauthorised expenditure.

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62. Unauthorised expenditure (continued)

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 relate 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.

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 relate to overtime which Council has referred for further investigation.

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62. Unauthorised expenditure (continued)

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.

63. Fruitless and wasteful expenditure

Opening balance as previously reported	78 653 617	69 127 889
Correction of prior period error	-	578 994
Opening balance as restated	78 653 617	69 706 883
Add: Fruitless and wasteful expenditure identified in the current period	5 329 365	8 958 981
Less: Amounts recovered - current	(2 310 580)	(12 247)
Closing balance	81 672 402	78 653 617

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63. Fruitless and wasteful expenditure (continued)

Incidents identified - 2019/20

	Disciplinary steps taken / criminal proceedings	Balance reported	Written off / Recovered	Balance remaining
Penalties and interest paid to SARS relating to PAYE, UIF and SDL	None	2 082 100	-	2 082 100
Interest paid to Eskom SOC due to late payment		110 895	-	110 895
Interest paid to Telkom SA Limited due to late payment		97 167	-	97 167
Interest paid to Hendrikz & De Vletter due to late payment		100	-	100
Interest paid to Graham Attorneys due to late payment		867	-	867
Interest paid to AGSA due to late payment		301 320	-	301 320
Interest paid to Modderrivier due to overdue account		6 359	-	6 359
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998		288 910	-	288 910
Interest paid to WTW Civil due to late payment (Court Order)		1 452 014	-	1 452 014
Interest paid to MIIB business Technology due to Court order judgement		15 706	-	15 706
Sheriff costs paid to Balju Sheriff due to Court case judgement		4 764	-	4 764
Interest paid to due to Varymix due Court order judgement		75 737	-	75 737
Interest paid to FMP Contractor due to Court case judgement		183 433	-	183 433
Interest charged (IMATU) due to Court Judgement		143 817	-	143 817
Interest paid to BBT Electrical due to Court case judgement		156 247	-	156 247
Interest paid to Erasmus due to Court case judgement		160 839	-	160 839
Interest paid to Dibetsi Civil due to Court case judgement		42 716	-	42 716
Interest paid to JJ Heerden due to Court case judgement		565	-	565
Interest paid to WK Construction due to Court order judgement		205 809	-	205 809
		5 329 365	-	5 329 365

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

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Figures in Rand	2020	2019		
63. 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 the Auditor General of South Africa 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 Ruwacou	Recovered	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	(2 310 580)	24 114 105

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63. 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 the Auditor General of South Africa 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
Incorporation of the former Naledi Local Municipality*	None	6 472 630	-	6 472 630
		13 990 033	-	13 990 033

*The balance relates to the incorporation of the former Naledi Local Municipality as at 6 August 2016. During the prior year the balance was not included in the disclosure for 2017, but was part of the balance reported as the total fruitless and wasteful expenditure.

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

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63. Fruitless and wasteful expenditure (continued)

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 latepayment	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 latepayment	None	1 155	-	1 155
Interest paid to SARS due to late payment	None	45 077	-	45 077
		209 103	-	209 103

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

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63. Fruitless and wasteful expenditure (continued)

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 Rossouws 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 prior financial 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

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

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64. Irregular expenditure		
Opening balance as previously reported	948 515 958	442 658 742
Correction of prior period error	-	(51 692)
Opening balance as restated	948 515 958	442 607 050
Add: Irregular expenditure - current period	760 194 251	842 457 694
Less: Irregular expenditure - Previous year expenditure detected in the current year	840 165 335	-
Less: Amount written off - current	-	(336 548 786)
Closing balance	2 548 875 544	948 515 958

Incidents/cases identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings	
Expenditure items identified were that of supply chain process that was not followed	None	44 528 040
Service providers where contracts were extended without council approval	None	244 411 986
Expenditure in contravention of section 33 of the Division of Revenue Act	None	40 997 901
Councillors whose remuneration was overpaid contrary to the requirements of the Remuneration of Public Office Bearers Act 20 of 1998	None	288 910
Expenditure items due non compliance within the Bid Adjudication Committee composition	None	1 270 132 750
		1 600 359 587

65. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year subscription / fee	14 900 000	14 100 000
Amount paid - current year	(14 900 000)	(14 100 000)
	-	-

Contributions to organised local government consists of annual subscriptions paid to SALGA.

Audit fees

Opening balance	1 211 287	417 826
Current year subscription / fee	19 326 259	19 723 277
Amount paid - current year	(15 496 302)	(18 511 990)
Amount paid - previous years	(1 211 287)	(417 826)
	3 829 957	1 211 287

PAYE, UIF and SDL

Opening balance	26 074 727	23 184 624
Current year subscription / fee	324 098 434	314 777 526
Amount paid - current year	(297 719 509)	(288 644 951)
Amount paid - previous years	(26 074 727)	(23 242 472)
	26 378 925	26 074 727

Pension and Medical Aid Deductions

Opening balance	31 103 968	29 565 959
Current year subscription / fee	390 075 241	371 537 226
Amount paid - current year	(357 281 164)	(340 433 258)
Amount paid - previous years	(31 103 968)	(29 565 959)
	32 794 077	31 103 968

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

VAT

VAT receivable 94 237 340 88 797 949

VAT are shown in notes

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

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	Total loss in Rands
2020	22,785,178	9.99	227,623,932
2019	20,658,016	9.04	186,748,463

Grants withheld

During the prior year, the following amount was withheld by National Treasury due to the slow implementation of projects. The amounts were subsequently forfeited.

Grant

Urban settlement development grant - 49 814 000

66. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix D(2) for the comparison of actual operating expenditure versus budgeted expenditure.

67. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix D(4) for the comparison of actual capital expenditure versus budgeted expenditure.

68. Deviation from supply chain management regulations

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

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

Deviations 2020

	Number of deviations	Rand value
Emergency	29	1 824 496
Sole supplier	4	2 945 587
Impractical	4	277 257
	37	5 047 340

Deviations 2019

	Number of deviations	Rand value
Emergency	6	4 059 257
Sole supplier	4	987 295
	10	5 046 552

Notes to the Annual Financial Statements

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69. Budget differences

Changes from the approved budget to the final budget

Financial performance:

Employee costs:

Employee costs were reduced as a result of non-filling of vacant positions, control of overtime and acting allowances;

Debt impairment:

The debt impairment was increased to make provision for possible impairments on receivables as a result of low revenue collection.

Depreciation and asset impairment:

Depreciation was reduced as a result of expected lower depreciation.

Finance charges

Finance charges were reduced as a result of expected savings on finance lease costs.

Bulk purchases and other materials:

Bulk purchases were reduced as a result of less demand (as a result of the lockdown/ COVID-19 pandemic) and expected reduction in distribution losses.

Other materials were increased as a result of the expected increase in Personal Protective Equipment due to the COVID-19 pandemic.

Other expenditure:

Other expenditure were reduced as result of COVID-19 impact on reduced activities as well as increases due to additional expenditure. The overall effect is a reduction of General expenditure and Contracted services.

Transfers recognised - Capital:

The budget was reduced due to the reduction of grant funding on the USDG grant from National Treasury.

Capital expenditure:

Own funded projects:

Capital expenditure on own funded projects were reduced as a result of low revenue collection rate.

Grant funded projects:

Capital expenditure were reduced as a result of unplanned interruptions on projects, deficiencies in project management and poor planning on some projects which led to reduction of infrastructure grants like USDG.

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:

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.

Notes to the Annual Financial Statements

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69. Budget differences (continued)

Material differences between budget and actual amounts

Financial Performance:

Property rates:

Higher than expected performance on Property rates due to more properties being billed for the period than budgeted and the number of new developments and supplementary valuation role.

Service charges:

Favourable variance due to estimates made on water accounts and cycles were partly completed during the national lockdown period. The negative impact of estimates on total water revenue were rectified during the month of June 2020 through journals on the billing system.

Other own revenue:

The unfavourable variance is due to the lack of the traffic management system for the administration of traffic fines and deficiencies in internal control measures.

Employee related costs:

The variance is mainly due to a proportionate savings on unfilled vacancies over the twelve months period. There is a direct linkage between the unfilled vacancies and the overspending on overtime to date of R71.601 million.

Debt impairment:

Unfavourable variance due to the write off of indigent debtors when they were registered as indigent.

Depreciation and asset impairment:

Unfavourable variance due to insufficient budget for depreciation.

Materials and bulk purchases:

Unfavourable variance due to insufficient budget for water purchases.

Transfers recognised - Capital:

The variance was mainly due to underspending on capital projects due to slow implementation of projects as well as the effect of the national lockdown due to the COVID-19 pandemic

Capital expenditure:

Underspending on capital projects were due to slow implementation of projects as well as the effect of the national lockdown due to the COVID-19 pandemic.

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:

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.

70. Distributions to owners

Distributions to owners are from capital surpluses.

Mangaung Metropolitan Municipality
Appendix A to the Annual Financial Statements for the year ended 30 June 2020
Schedule of External Loans - Unaudited

Schedule of external loans as at 30 June 2020

Loan Number	Redeemable	Balance at 30 June 2019 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2020 Rand	
External loans						
DBSA	103433/01	31 March 2026	31 904 513	-	2 873 817	29 030 696
DBSA	103433/02	31 March 2026	112 439 845	-	9 681 306	102 758 539
DBSA	12007885	30 June 2025	241 645 066	-	26 368 220	215 276 846
Standard bank	33714314	30 June 2025	223 488 090	-	52 348 940	171 139 150
ABSA	23135	30 October 2026	417 687 066	-	39 047 178	378 639 888
			1 027 164 580	-	130 319 461	896 845 119

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statement for the year ended 30 June 2020
Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Brits JF	-	-	-	-	-	-	-	-	-	-	2	-
Chaka NS	40 163	40 879	41 596	42 349	43 104	43 862	44 748	45 635	46 529	8 902	9 796	10 700
Ferreira TI	-	-	-	-	-	86	-	-	-	-	-	-
Gailele IL	1 915	1 693	1 468	1 272	1 071	868	663	456	888	679	468	255
Goliath EK	45 454	41 859	38 983	36 178	33 423	30 654	32 436	34 319	36 195	33 049	29 911	26 795
Jonas VE	1 576	1 954	2 335	2 749	3 166	3 586	3 287	2 992	3 422	3 094	2 524	1 952
Kotze GDP	5 433	5 433	5 433	5 433	5 433	792	-	-	-	-	-	-
Mabale G	-	-	-	-	-	-	113	746	3 003	19 958	40 834	53 456
Mahase MM	508	-	-	-	-	-	-	-	-	-	-	-
Makhalanyane TS	1 624	1 646	1 668	1 689	1 712	1 734	-	-	-	-	-	-
Mangcotywa ZE	-	7 252	7 111	6 608	6 271	5 928	6 609	7 086	7 560	6 823	6 088	5 356
Masoeu TD	-	-	444	1 602	2 769	3 946	5 923	7 911	9 909	10 327	-	-
Matetha NR	844	1 381	2 051	-	-	14	-	-	-	-	-	-
Mogapi KT	572	965	1 106	1 142	1 274	1 170	680	261	282	-	-	-
Mohibidu PM	19 674	17 820	17 854	17 944	18 031	18 339	18 943	20 116	21 464	21 135	20 781	20 354
Mohlabane RJ	43 667	44 192	44 718	45 269	45 816	46 365	42 363	40 408	40 963	39 013	36 505	34 536
Mokoakoa MI	-	-	-	-	-	256	513	771	1 032	1 295	1 559	1 826
Mononyane MB	15 353	16 689	18 036	19 519	21 017	22 526	24 047	25 578	27 122	28 676	30 237	31 809
Monyakoana NPM	10 662	11 098	11 534	11 983	12 459	12 938	11 739	-	-	-	-	-
Morake AM	1 516	2 103	2 695	3 369	4 048	4 733	5 816	6 905	7 999	9 099	10 206	11 248
Motloung MV	1 254	1 260	1 266	1 273	1 279	1 285	1 291	1 298	1 304	1 310	1 316	1 322
Ndzuzo T	626	672	-	-	-	-	-	-	-	-	-	-
Nkhabu ML	-	-	-	-	-	-	-	183	393	603	816	1 030
Nkoe MJ	166 075	168 217	170 204	172 193	174 367	176 618	179 144	181 695	184 111	180 791	183 120	184 306
Nothnagel J	20 127	6 007	7 576	8 472	4 266	5 181	4 029	5 321	4 701	6 069	7 386	9 090
Petersen JE	132	132	132	132	132	132	132	132	132	-	-	-
Phalatse OP	3 785	4 018	4 253	4 507	4 762	5 019	4 532	4 047	4 309	503	16	-
Pongolo DX	-	-	-	-	-	-	-	-	275	645	1 017	1 392
Poone PP	755	789	823	857	894	932	-	-	-	-	-	-
Pretorius JC	-	1 653	-	-	-	1 787	3 574	1 802	3 620	1 833	1 399	966
Pretorius S	8 227	7 959	7 959	7 959	7 959	3 125	985	526	-	-	-	1 288
Qwema MB	4 790	5 029	5 270	5 531	5 792	6 055	5 480	4 907	5 175	4 606	4 031	3 452
Ranchobe T	281	309	338	369	402	437	471	505	540	575	611	31
Ratsiu NA	1 002	502	279	82	-	-	4	310	613	915	1 219	1 525
Sebolao JE	35 032	35 298	34 076	34 598	34 181	33 761	30 422	23 235	18 787	941	1 642	2 121
Sefuthi NM	6 704	6 928	7 133	7 397	7 653	7 921	8 170	8 441	8 714	7 991	8 287	8 584
Seleke PL	7 558	7 273	7 354	7 436	7 457	7 403	6 483	5 626	5 675	4 735	3 775	2 808
Shounyana MM	-	-	-	-	-	-	-	-	299	669	1 112	1 690
Siyonzana MA	4 877	10 883	11 897	16 675	22 871	26 582	23 164	19 703	9 002	7 896	9 317	8 109
Terblanche AP	24 016	21 154	18 500	15 952	13 421	10 901	8 395	5 886	7 361	4 814	2 244	-
Thatho MV	3 225	3 886	4 553	5 274	6 000	6 732	7 471	8 216	8 967	8 288	7 614	6 945
Thipenyane G	-	-	-	-	-	-	-	-	1 024	3 487	2 125	-

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statement for the year ended 30 June 2020
Councillors' arrear consumer accounts (over 90 days) - Audited

Surname & Initials	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	January 2020	February 2020	March 2020	April 2020	May 2020	June 2020
Titi LM	1 133	1 514	1 898	2 316	2 736	3 160	1 175	-	749	2 052	3 366	4 665
Tsiane MMP	-	-	-	62 771	63 924	62 084	63 250	62 422	61 601	7 568	8 721	7 881
TOTAL	478 560	478 447	480 543	550 900	557 690	556 912	546 052	527 439	533 720	428 341	438 045	445 492

Mangaung Metropolitan Municipality
Appendix B to the Annual Financial Statement for the year ended 30 June 2020
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
Naiile 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 NE	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 Statement for the year ended 30 June 2020
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

Mangaung Metropolitan Municipality
Appendix C to the Annual Financial Statements for the year ended 30 June 2020
Disclosure 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 Yes/ No
		Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	
Equitable share	National government	198 611 000	-	257 268 000	279 988 000	148 958 250	49 652 750	-	537 256 000	No
Fuel levy	National government	103 838 000	103 838 000	103 838 000	-	77 878 500	77 878 500	77 878 500	77 878 500	No
Financial Management Grant	National government	3 000 000	-	-	-	-	-	1 337 967	1 662 033	No
National Electrification Program Grant	National government	-	-	-	-	-	-	-	-	No
Urban Settlement Development Grant	National government	162 712 000	-	349 144 000	-	31 691 782	69 370 859	60 494 793	199 010 405	No
Neighbourhood Development Grant	National government	-	-	-	-	-	-	-	-	No
Expanded Public Works Programme	National government	346 000	622 000	414 000	-	131 296	315 834	220 849	351 935	No
Neighbourhood Development Grant	National government	5 000 000	-	5 000 000	-	-	98 756	-	-	No
Integrated City Development Grant	National government	3 391 000	3 390 000	-	-	-	623 235	-	694 091	No
Public Transport Network Grant	National government	34 439 000	68 879 000	126 278 000	-	24 964 262	44 000 413	21 561 091	51 687 502	
Department SACR grant - Admin Library	Provincial government	-	1 000 000	2 500 000	-	-	-	-	759 325	
		511 337 000	177 729 000	844 442 000	279 988 000	283 624 090	241 940 347	161 493 200	869 299 791	

Mangaung Metropolitan Municipality
Appendix D1 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Financial Performance (revenue and expenditure) - Unaudited

2019/2020

	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
Revenue By Source										
Property rates	1 266 537 837	-	1 266 537 837	-	-	1 266 537 837	1 334 854 287	68 316 450	105 %	105 %
Service charges - electricity revenue	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Service charges - water revenue	823 391 629	-	823 391 629	-	-	823 391 629	833 392 615	10 000 986	101 %	101 %
Service charges - sanitation revenue	327 614 700	-	327 614 700	-	-	327 614 700	357 633 792	30 019 092	109 %	109 %
Service charges - refuse revenue	135 206 958	-	135 206 958	-	-	135 206 958	134 651 857	(555 101)	100 %	100 %
Service charges - other	609 280	-	609 280	-	-	609 280	695 184	85 904	114 %	114 %
Rental of facilities and equipment	42 556 311	(189 990)	42 366 321	-	-	42 366 321	46 910 289	4 543 968	111 %	110 %
Interest earned - external investments	19 327 046	-	19 327 046	-	-	19 327 046	12 203 811	(7 123 235)	63 %	63 %
Interest earned - outstanding debtors	376 863 297	-	376 863 297	-	-	376 863 297	479 843 131	102 979 834	127 %	127 %
Dividends received	554	-	554	-	-	554	2 849	2 295	514 %	514 %
Fines, penalties and forfeits	32 129 470	(10 000)	32 119 470	-	-	32 119 470	16 770 072	(15 349 398)	52 %	52 %
Licences and permits	548 671	(71 197)	477 474	-	-	477 474	1 203 299	725 825	252 %	219 %
Agency services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Transfers and subsidies	1 057 008 219	-	1 057 008 219	-	-	1 057 008 219	1 052 160 239	(4 847 980)	100 %	100 %
Other revenue	60 716 388	(534 450)	60 181 938	-	-	60 181 938	130 799 305	70 617 367	217 %	215 %
Gains on disposal of PPE	-	-	-	-	-	-	11 134 854	11 134 854	DIV/0 %	DIV/0 %
Total Revenue (excluding capital transfers and contributions)	4 142 510 360	(805 637)	4 141 704 723	-	-	4 141 704 723	4 412 255 584	270 550 861	107 %	107 %
Expenditure By Type										
Employee related costs	1 718 787 762	(62 186 523)	1 656 601 239	-	-	1 656 601 239	1 719 879 213	63 277 974	104 %	100 %
Remuneration of councillors	69 547 125	(4 040 000)	65 507 125	-	-	65 507 125	67 201 568	1 694 443	103 %	97 %
Debt impairment	381 587 981	639 175 896	1 020 763 877	-	-	1 020 763 877	735 087 878	(285 675 999)	72 %	193 %
Depreciation & asset impairment	322 031 308	(92 157 790)	229 873 518	-	-	229 873 518	794 714 187	564 840 669	346 %	247 %
Finance charges	125 892 036	(12 000 000)	113 892 036	-	-	113 892 036	162 496 347	48 604 311	143 %	129 %
Bulk purchases	567 878 642	(183 352 191)	384 526 451	-	-	384 526 451	311 146 661	(73 379 790)	81 %	55 %
Other materials	31 629 585	4 714 274	36 343 859	-	-	36 343 859	29 082 277	(7 261 582)	80 %	92 %
Contracted services	634 052 938	(177 331 126)	456 721 812	-	-	456 721 812	465 845 971	9 124 159	102 %	73 %
Transfers and subsidies	33 937 980	(5 584 971)	28 353 009	-	-	28 353 009	26 002 000	(2 351 009)	92 %	77 %
Other expenditure	335 236 897	(59 937 950)	275 298 947	-	-	275 298 947	357 508 837	82 209 890	130 %	107 %
Loss on disposal of PPE	-	-	-	-	-	-	13 263 029	13 263 029	DIV/0 %	DIV/0 %
Total Expenditure	4 220 582 254	47 299 619	4 267 881 873	-	-	4 267 881 873	4 682 227 968	414 346 095	110 %	111 %
Surplus/(Deficit)	(78 071 894)	(48 105 256)	(126 177 150)	-	-	(126 177 150)	(269 972 384)	(143 795 234)	214 %	346 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	1 077 940 000	(301 700 000)	776 240 000	-	-	776 240 000	504 420 588	(271 819 412)	65 %	47 %
Transfers and subsidies - capital (monetary allocations) (National / Provincial Departmental Agencies, Households, Non-profit Institutions, Private Enterprises, Public Corporations, Higher Educational Institutions)	-	-	-	-	-	-	223 400	223 400	DIV/0 %	DIV/0 %
Surplus/(Deficit) for the year	999 868 106	(349 805 256)	650 062 850	-	-	650 062 850	234 671 604	(415 391 246)	36 %	23 %

Mangaung Metropolitan Municipality
Appendix D1 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Financial Performance (revenue and expenditure) - Unaudited

2019/2020

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

Mangaung Metropolitan Municipality
Appendix D2 to the Annual Financial Statements
Budgeted Financial Performance (revenue and expenditure by municipal vote) - Audited

2019/2020

	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
Revenue by Vote											
Office of the City Manager	500	-	500	-	-	500	205	-	(295)	41 %	41 %
Office of the Executive Mayor	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Corporate Services	11 640 486	-	11 640 486	-	-	11 640 486	87 379 812	-	75 739 326	751 %	751 %
Finance	1 462 290 729	(14 000)	1 462 276 729	-	-	1 462 276 729	1 521 735 849	-	59 459 120	104 %	104 %
Social Services	38 225 150	(791 637)	37 433 513	-	-	37 433 513	25 755 240	-	(11 678 273)	69 %	67 %
Planning	50 466 706	-	50 466 706	-	-	50 466 706	36 182 436	-	(14 284 270)	72 %	72 %
Human Settlements	46 607 691	-	46 607 691	-	-	46 607 691	44 520 751	-	(2 086 940)	96 %	96 %
Economic and Rural Development	311 120	-	311 120	-	-	311 120	316 906	-	5 786	102 %	102 %
Engineering Services	505 308 598	-	505 308 598	-	-	505 308 598	579 052 562	-	73 743 964	115 %	115 %
Water Services	1 233 154 636	-	1 233 154 636	-	-	1 233 154 636	1 207 540 325	-	(25 614 311)	98 %	98 %
Waste and Fleet Services	271 636 156	-	271 636 156	-	-	271 636 156	273 218 526	-	1 582 370	101 %	101 %
Miscellaneous Services	1 600 803 588	(301 700 000)	1 299 103 588	-	-	1 299 103 588	1 141 196 965	-	(157 906 623)	88 %	71 %
Strategic Projects and Service Delivery	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Naledi	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Total Revenue by Vote	5 220 445 360	(302 505 637)	4 917 939 723	-	-	4 917 939 723	4 916 899 577	-	(1 040 146)	100 %	94 %
Expenditure by Vote to be appropriated											
Office of the City Manager	115 835 136	3 844 493	119 679 629	-	-	119 679 629	107 306 849	-	(12 372 780)	90 %	93 %
Office of the Executive Mayor	271 110 696	(40 927 670)	230 183 026	-	-	230 183 026	228 474 756	-	(1 708 270)	99 %	84 %
Corporate Services	338 997 898	(89 814 461)	249 183 437	-	-	249 183 437	501 242 282	-	252 058 845	201 %	148 %
Finance	178 702 866	19 696 989	198 399 855	-	-	198 399 855	239 928 885	-	41 529 030	121 %	134 %
Social Services	500 562 996	(45 875 567)	454 687 429	-	-	454 687 429	542 784 947	-	88 097 518	119 %	108 %
Planning	103 273 690	(6 678 003)	96 595 687	-	-	96 595 687	92 423 431	-	(4 172 256)	96 %	89 %
Human Settlement	161 969 877	(25 629 533)	136 340 344	-	-	136 340 344	181 381 413	-	45 041 069	133 %	112 %
Economic and Rural Development	44 328 360	(17 480 842)	26 847 518	-	-	26 847 518	23 504 145	-	(3 343 373)	88 %	53 %
Engineering Services	660 283 956	(86 319 775)	573 964 181	-	-	573 964 181	830 617 355	-	256 653 174	145 %	126 %
Water Services	1 103 949 842	140 733 556	1 244 683 398	-	-	1 244 683 398	1 263 061 099	-	18 377 701	101 %	114 %
Waste and Fleet Services	380 859 345	(28 927 213)	351 932 132	-	-	351 932 132	810 099 423	-	458 167 291	230 %	213 %
Miscellaneous Services	247 988 243	223 200 477	471 188 720	-	-	471 188 720	136 968 147	-	(334 220 573)	29 %	55 %
Strategic Projects and Service Delivery	58 497 481	(3 778 163)	54 719 318	-	-	54 719 318	51 919 269	-	(2 800 049)	95 %	89 %
Naledi	54 216 868	5 255 331	59 472 199	-	-	59 472 199	58 100 212	-	(1 371 987)	98 %	107 %
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Total Expenditure by Vote	4 220 577 254	47 299 619	4 267 876 873	-	-	4 267 876 873	5 067 812 213	-	799 935 340	119 %	120 %
Surplus/(Deficit) for the year	999 868 106	(349 805 256)	650 062 850	-	-	650 062 850	(150 912 636)	-	(800 975 486)	(23)%	(15)%

Mangaung Metropolitan Municipality
Appendix D3 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Financial Performance (revenue & expenditure by functional classification) Unaudited

2020/2019

	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
Revenue - Functional											
Municipal governance and administration	3 123 175 846	(301 714 000)	2 821 461 846	-		2 821 461 846	2 795 849 839		(25 612 007)	99 %	90 %
Executive and council	11 120	-	11 120	-		11 120	316 906		305 786	2 850 %	2 850 %
Finance and administration	3 123 164 726	(301 714 000)	2 821 450 726	-		2 821 450 726	2 795 532 933		(25 917 793)	99 %	90 %
Internal audit	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
Community and public safety	64 742 212	(714 880)	64 027 332	-		64 027 332	51 830 167		(12 197 165)	81 %	80 %
Community and social services	7 294 580	(214 890)	7 079 690	-		7 079 690	4 772 897		(2 306 793)	67 %	65 %
Sport and recreation	8 073 273	(499 990)	7 573 283	-		7 573 283	2 384 013		(5 189 270)	31 %	30 %
Public safety	24 183 161	-	24 183 161	-		24 183 161	19 078 267		(5 104 894)	79 %	79 %
Housing	25 191 198	-	25 191 198	-		25 191 198	25 594 990		403 792	102 %	102 %
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
Economic and environmental services	21 095 669	(76 757)	21 018 912	-		21 018 912	19 568 709		(1 450 203)	93 %	93 %
Planning and development	20 630 940	-	20 630 940	-		20 630 940	8 716 557		(11 914 383)	42 %	42 %
Road transport	-	-	-	-		-	10 543 424		10 543 424	DIV/0 %	DIV/0 %
Environmental protection	464 729	(76 757)	387 972	-		387 972	308 728		(79 244)	80 %	66 %
Trading services	2 010 099 390	-	2 010 099 390	-		2 010 099 390	2 049 267 989		39 168 599	102 %	102 %
Energy sources	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %
Water management	1 233 154 636	-	1 233 154 636	-		1 233 154 636	1 207 540 325		(25 614 311)	98 %	98 %
Waste water management	505 308 598	-	505 308 598	-		505 308 598	568 509 138		63 200 540	113 %	113 %
Waste management	271 636 156	-	271 636 156	-		271 636 156	273 218 526		1 582 370	101 %	101 %
Other	1 337 243	-	1 337 243	-		1 337 243	382 873		(954 370)	29 %	29 %
Other	1 337 243	-	1 337 243	-		1 337 243	382 873		(954 370)	29 %	29 %
Total Revenue - Functional	5 220 450 360	(302 505 637)	4 917 944 723	-		4 917 944 723	4 916 899 577		(1 045 146)	100 %	94 %

Mangaung Metropolitan Municipality
Appendix D3 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Financial Performance (revenue & expenditure by functional classification) Unaudited

2020/2019

	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
Expenditure - Functional											
Governance and administration	970 517 112	99 099 104	1 069 616 216	-	-	1 069 616 216	1 744 381 482	-	674 765 266	163 %	180 %
Executive and council	83 404 719	(17 169 849)	66 234 870	-	-	66 234 870	46 638 540	-	(19 596 330)	70 %	56 %
Finance and administration	887 112 393	116 268 953	1 003 381 346	-	-	1 003 381 346	1 697 742 942	-	694 361 596	169 %	191 %
Internal audit	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Community and public safety	697 098 245	(88 215 756)	608 882 489	-	-	608 882 489	967 234 689	-	358 352 200	159 %	139 %
Community and social services	58 940 954	(5 661 048)	53 279 906	-	-	53 279 906	45 389 696	-	(7 890 210)	85 %	77 %
Sport and recreation	225 759 763	(47 446 430)	178 313 333	-	-	178 313 333	400 637 776	-	222 324 443	225 %	177 %
Public safety	259 142 480	(9 718 819)	249 423 661	-	-	249 423 661	329 086 875	-	79 663 214	132 %	127 %
Housing	135 507 269	(20 844 088)	114 663 181	-	-	114 663 181	179 170 151	-	64 506 970	156 %	132 %
Health	17 747 779	(4 545 371)	13 202 408	-	-	13 202 408	12 950 191	-	(252 217)	98 %	73 %
Economic and environmental services	443 490 661	(108 169 842)	335 320 819	-	-	335 320 819	564 127 677	-	228 806 858	168 %	127 %
Planning and development	42 898 825	2 048 033	44 946 858	-	-	44 946 858	41 009 862	-	(3 936 996)	91 %	96 %
Road transport	371 374 443	(107 952 466)	263 421 977	-	-	263 421 977	498 143 337	-	234 721 360	189 %	134 %
Environmental protection	29 217 393	(2 265 409)	26 951 984	-	-	26 951 984	24 974 478	-	(1 977 506)	93 %	85 %
Trading services	1 690 845 008	199 832 222	1 890 677 230	-	-	1 890 677 230	1 349 897 571	-	(540 779 659)	71 %	80 %
Energy sources	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Water management	1 107 328 336	140 718 477	1 248 046 813	-	-	1 248 046 813	729 166 184	-	(518 880 629)	58 %	66 %
Waste water management	334 667 004	43 045 926	377 712 930	-	-	377 712 930	390 593 609	-	12 880 679	103 %	117 %
Waste management	248 849 668	16 067 819	264 917 487	-	-	264 917 487	230 137 778	-	(34 779 709)	87 %	92 %
Other	9 197 612	(4 454 388)	4 743 224	-	-	4 743 224	4 579 671	-	(163 553)	97 %	50 %
Other	9 197 612	(4 454 388)	4 743 224	-	-	4 743 224	4 579 671	-	(163 553)	97 %	50 %
Total Expenditure - Functional	3 811 148 638	98 091 340	3 909 239 978	-	-	3 909 239 978	4 630 221 090	-	720 981 112	118 %	121 %
Surplus/(Deficit) for the year	1 409 301 722	(400 596 977)	1 008 704 745	-	-	1 008 704 745	286 678 487	-	(722 026 258)	28 %	20 %

Mangaung Metropolitan Municipality
Appendix D4 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Capital Expenditure by vote - Unaudited

2020/2019

	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
Capital expenditure by Vote										
Office of the City Manager	167 252 200	(34 430 000)	132 822 200	-	-	132 822 200	56 164 770	(76 657 430)	42 %	34 %
Office of the Executive Mayor	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Corporate Services	32 300 000	(23 458 806)	8 841 194	-	-	8 841 194	2 018 770	(6 822 424)	23 %	6 %
Finance	-	10 000	10 000	-	-	10 000	-	(10 000)	- %	DIV/0 %
Social Services	17 330 000	(4 825 309)	12 504 691	-	-	12 504 691	4 801 177	(7 703 514)	38 %	28 %
Planning	47 525 000	(37 340 782)	10 184 218	-	-	10 184 218	5 869 763	(4 314 455)	58 %	12 %
Human Settlement	13 075 847	17 214 153	30 290 000	-	-	30 290 000	-	(30 290 000)	- %	- %
Economic and Rural Development	29 381 000	(9 679 400)	19 701 600	-	-	19 701 600	3 407 976	(16 293 624)	17 %	12 %
Engineering Services	391 555 263	(187 078 363)	204 476 900	-	-	204 476 900	109 492 850	(94 984 050)	54 %	28 %
Water Services	278 000 000	(135 394 054)	142 605 946	-	-	142 605 946	71 837 564	(70 768 382)	50 %	26 %
Waste and Fleet Services	119 523 453	(37 725 342)	81 798 111	-	-	81 798 111	54 185 931	(27 612 180)	66 %	45 %
Miscellaneous Services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Strategic Projects and Service Delivery	28 000 000	(27 220 600)	779 400	-	-	779 400	87 010	(692 390)	11 %	- %
Naledi	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Capital expenditure sub-total	1 123 942 763	(479 928 503)	644 014 260	-	-	644 014 260	307 865 811	(336 148 449)	48 %	27 %

Mangaung Metropolitan Municipality
Appendix G5 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Capital Expenditure by functional classification and funding - Unaudited

2020/2019

	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	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Capital Expenditure - Functional										
Governance and administration	165 704 453	(70 470 530)	95 233 923	-	-	95 233 923	51 319 319	(43 914 604)	54 %	31 %
Executive and council	20 681 000	(2 979 400)	17 701 600	-	-	17 701 600	1 778 855	(15 922 745)	10 %	9 %
Finance and administration	145 023 453	(67 491 130)	77 532 323	-	-	77 532 323	49 540 464	(27 991 859)	64 %	34 %
Internal audit	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Community and public safety	35 705 847	9 930 038	45 635 885	-	-	45 635 885	6 244 411	(39 391 474)	14 %	17 %
Community and social services	5 000 000	900 000	5 900 000	-	-	5 900 000	1 880 352	(4 019 648)	32 %	38 %
Sport and recreation	11 900 000	(6 976 806)	4 923 194	-	-	4 923 194	2 222 603	(2 700 591)	45 %	19 %
Public safety	5 730 000	(1 207 309)	4 522 691	-	-	4 522 691	2 141 456	(2 381 235)	47 %	37 %
Housing	13 075 847	17 214 153	30 290 000	-	-	30 290 000	-	(30 290 000)	- %	- %
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Economic and environmental services	465 187 200	(164 953 882)	300 233 318	-	-	300 233 318	159 543 610	(140 689 708)	53 %	34 %
Planning and development	45 425 000	(35 990 782)	9 434 218	-	-	9 434 218	5 846 111	(3 588 107)	62 %	13 %
Road transport	418 262 200	(127 463 100)	290 799 100	-	-	290 799 100	153 697 499	(137 101 601)	53 %	37 %
Environmental protection	1 500 000	(1 500 000)	-	-	-	-	-	-	DIV/0 %	- %
Trading services	448 645 263	(247 734 129)	200 911 134	-	-	200 911 134	89 129 350	(111 781 784)	44 %	20 %
Energy sources	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Water management	278 000 000	(135 394 054)	142 605 946	-	-	142 605 946	71 837 565	(70 768 381)	50 %	26 %
Waste water management	140 545 263	(94 045 263)	46 500 000	-	-	46 500 000	11 960 120	(34 539 880)	26 %	9 %
Waste management	30 100 000	(18 294 812)	11 805 188	-	-	11 805 188	5 331 665	(6 473 523)	45 %	18 %
Other	8 700 000	(6 700 000)	2 000 000	-	-	2 000 000	1 629 121	(370 879)	81 %	19 %
Other	8 700 000	(6 700 000)	2 000 000	-	-	2 000 000	1 629 121	(370 879)	81 %	19 %
Total Capital Expenditure - Functional	1 123 942 763	(479 928 503)	644 014 260	-	-	644 014 260	307 865 811	(336 148 449)	48 %	27 %
Funded by:										
National Government	959 339 310	(405 391 858)	553 947 452	-		553 947 452	252 440 759	(301 506 693)	46 %	26 %
Provincial Government	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
District Municipality	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Other transfers and grants	2 000 000	-	2 000 000	-		2 000 000	-	(2 000 000)	- %	- %
Transfers recognised - capital	961 339 310	(405 391 858)	555 947 452	-		555 947 452	252 440 759	(303 506 693)	45 %	26 %
Public contributions & donations	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %
Borrowing	77 707 953	(8 500 000)	69 207 953	-		69 207 953	48 744 946	(20 463 007)	70 %	63 %
Internally generated funds	84 895 500	(66 036 645)	18 858 855	-		18 858 855	6 680 106	(12 178 749)	35 %	8 %
Total Capital Funding	1 123 942 763	(479 928 503)	644 014 260	-		644 014 260	307 865 811	(336 148 449)	48 %	27 %

Mangaung Metropolitan Municipality
Appendix D6 to the Annual Financial Statements for the year ended 30 June 2020
Budgeted Cash Flows - Unaudited

30 June 2020

	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	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	1 181 982 799	(143 421 799)	1 038 561 000	-	-	1 038 561 000	1 726 911 495	688 350 495	166 %	146 %
Service charges	1 023 560 091	(224 692 091)	798 868 000	-	-	798 868 000	-	(798 868 000)	- %	- %
Other revenue	91 032 822	540 559 205	631 592 027	-	-	631 592 027	-	(631 592 027)	- %	- %
Government - operating	1 057 008 219	(311 514 607)	745 493 612	-	-	745 493 612	1 029 310 812	283 817 200	138 %	97 %
Government - capital	1 052 340 079	(402 148 079)	650 192 000	-	-	650 192 000	504 420 588	(145 771 412)	78 %	48 %
Interest	6 526 123	(456)	6 525 667	-	-	6 525 667	248 431 386	241 905 719	3 807 %	3 807 %
Dividends	554	-	554	-	-	554	2 849	2 295	514 %	514 %
Payments										
Suppliers and employees	(2 870 775 507)	(394 507 174)	(3 265 282 681)	-	-	(3 265 282 681)	(2 700 991 472)	564 291 209	83 %	94 %
Finance charges	(242 266 199)	12 000 000	(230 266 199)	-	-	(230 266 199)	(6 031 378)	224 234 821	3 %	2 %
Transfers and Grants	(7 937 980)	5 585 000	(2 352 980)	-	-	(2 352 980)	(2 000)	2 350 980	- %	- %
Net cash flow from/used operating activities	1 291 471 001	(918 140 001)	373 331 000	-	-	373 331 000	802 052 280	428 721 280	215 %	62 %
Cash flow from investing activities										
Receipts										
Proceeds on disposal of PPE	(334 000)	-	(334 000)	-	-	(334 000)	-	334 000	- %	- %
Decrease (Increase) in non-current debtors	167 027 188	(166 752 188)	275 000	-	-	275 000	-	(275 000)	- %	- %
Decrease (increase) other non-current receivables	-	-	-	-	-	-	(1 406)	(1 406)	DIV/0 %	DIV/0 %
Decrease (increase) in non-current investments	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Payments										
Capital assets	(1 106 029 188)	559 567 188	(546 462 000)	-	-	(546 462 000)	(245 808 635)	300 653 365	45 %	22 %
Finance cost	-	-	-	-	-	-	507 257	507 257	DIV/0 %	DIV/0 %
Net cash flow from/used investing activities	(939 336 000)	392 815 000	(546 521 000)	-	-	(546 521 000)	(245 302 784)	301 218 216	45 %	26 %
Cash flow from financing activities										
Receipts										
Short term loans	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Borrowing long term/refinancing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %
Increase (decrease) in consumer deposits	(9 411 977)	6 708 977	(2 703 000)	-	-	(2 703 000)	250 130	2 953 130	(9)%	(3)%
Payments										
Repayment of borrowing	13 633 636	(81 970 636)	(68 337 000)	-	-	(68 337 000)	(160 890 367)	(92 553 367)	235 %	(1 180)%
Finance Cost	-	-	-	-	-	-	(115 085 015)	(115 085 015)	DIV/0 %	DIV/0 %
Net cash flow from/used financing activities	4 221 659	(75 261 659)	(71 040 000)	-	-	(71 040 000)	(275 725 252)	(204 685 252)	388 %	(6 531)%
Net increase/(decrease) in cash held	356 356 660	(600 586 660)	(244 230 000)	-	-	(244 230 000)	281 024 244	525 254 244	(115)%	79 %
Cash/cash equivalents at the year begin:							114 430 316			
Cash/cash equivalents at the year end:	356 356 660	(600 586 660)	(244 230 000)	-	-	(244 230 000)	395 454 560	525 254 244	(162)%	111 %