



MORETELE LOCAL MUNICIPALITY
(Registration number M30062)
Annual Financial Statements
for the year ended 30 June 2019

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act No. 117 of 1998) read with section 155 (1) of the Constitution of the republic of South Africa (Act No. 108 of 1998)

Nature of business and principal activities

The main business operations of the municipality is to engage in local governance activities in terms of section 152 of the Constitution, which includes planning and promotion of integrated development planning, land, economic and environmental development and supplying of the following services to the community: Waste management services (the collection, disposal and purifying of waste, refuse and sewerage), water services (supplying water to the public), and rates and general services (all types of services rendered by the municipality, excluding the supply housing to the community, however including the rental of units owned by the municipality to private entities).

Mayoral committee

Mayor
Speaker
Single Whip
MPAC Chair
Exco Members

Monaheng MA
Sekhaolela TL
Molefe KJ
Mr M J Kau
Mr JM Makwela
Ms BM Mangema
Ms NK Mleta
Mr LA Motsepe
Mr BD Sephelle

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Councillors

Baloyi BW
Chauke MM
Gwebu PM
Hlongwane TE
Kutume RME
Kutumela SA
Lekalakala RC
Letebele LM
Letlhabi PS
Madumo MG
Magalefa SR
Mahlangu ET
Mahlangu PP
Makhathulela GM
Makhubela J
Makwela JM
Maluleka K
Mangema BM
Mathatho S
Mathe MA
Mavundla W
Mbekwa DBS
Mleta NK
Moatshe MC
Modiba GM
Modisa SJ
Moekeletsi SL
Mohomana JM
Mokadi LK
Mokgara SI
Molefe KJ
Molomo SP
Moraka KO
Moselane EL
Mosetlhe MJ
Mosipa ME
Motsepe LA
Motsepe MR
Mphande MC
Ngobeni TT
Nkwana S
Ntseke WM
Raletjena ZS
Ramadi MA
Sekhaolela TL
Sephelle BD
Shai CM
Sono D
Tseke NR

Grading of local authority

Grade 3

Demarcation code

NW 371

Accounting Officer (Acting)

Makwela BT

Chief Financial Officer (CFO)

Vilane S

Registered office

Municipal Office
4065B Mathibestad
0404

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

General Information

Business address	Municipal Office 4065B Mathibestad 0404
Postal address	Moretele Local Municipality Private Bag X 367 Makapanstad 0404
Bankers	ABSA, First National Bank, VBS Bank, Standard Bank and Nedbank
Auditors	Auditor General of South Africa
Attorneys	Internal
Published	31 August 2019
Legislation governing the municipality's operations	Local Government: Municipal Finance Management Act (Act No. 56 of 2003) Local Government: Municipal Systems Act (Act No. 32 of 2000) Local Government: Municipal Structures Act (Act No. 117 of 1998) Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Property Rates Act (Act No. 6 2004) Division of Revenue Act (Act No. 1 of 2007)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Index

The reports and statements set out below comprise the annual financial statements presented to the council:

	Page
Accounting Officer's Responsibilities and Approval	5
Audit Committee Report	6
Accounting Officer's Report	7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statement of Comparison of Budget and Actual Amounts	12 - 15
Appropriation Statement	16 - 18
Accounting Policies	19 - 42
Notes to the Annual Financial Statements	42 - 97

DBSA	Development Bank Southern Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ME's	Municipal Entities
SALGA	South African Local Government Association
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Responsibilities and Approval

The Accounting Officer is responsible for the preparation of the annual financial statements in terms of section 126(1) of the Municipal Finance Management Act (Act 56 of 2003). The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

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

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

Although I am primarily responsible for the financial affairs of the municipality, this is supported by the municipality's external auditors.

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

I certify that the salaries, allowances and benefits of councillors, as disclosed in note 29 - Councillors remuneration to these annual financial statements, are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with the Act.



Thabo Makwela
Accounting Officer (Acting)

Saturday, 31 August 2019

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee responsibility

The Chairperson of the Audit Committee must report on a quarterly basis, or more frequently if required, to the Municipal Council on the operations of the Internal Audit Unit and the Audit Committee.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Evaluation of annual financial statements

We have reviewed and discussed the unaudited annual financial statements and draft annual report for 2018/19 year.

Internal audit

The Audit Committee is satisfied that the Internal Audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Adv. JL Thubakgale
Chairperson of the Audit Committee

Date: _____

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Officer's Report

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

1. Review of activities

Main business and operations

The municipality is an organ of state within the local sphere of government exercising legislative and executive authority within an area determined in terms of the local government: Municipality Demarcation Act, 1998 and operates in South Africa.

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

2. 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.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting policies

The annual financial statements prepared and in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) including any interpretation of such statements issued by the Accounting Standards Board, and in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003) and in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

5. Accounting Officer

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

Name	Changes
Isaac Shimane Maroga	01 July 2018 - 21 December 2019
Thabo Joseph Matshabe	01 January 2019 - 08 August 2019
Thabo Makwela	09 August 2019

The annual financial statements set out on page 7, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2019 and were signed on its behalf by:

Thabo Makwela
Accounting Officer (Acting)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	269 377	1 427 269
Operating lease asset	4	1 769	13 623
Receivables from exchange transactions	5&7	1 148 318	1 676 744
Receivables from non-exchange transactions	6&7	14 097 956	15 474 163
Cash and cash equivalents	8	41 328 174	17 558 871
		56 845 594	36 150 670
Non-Current Assets			
Investment property	9	5 717 000	5 717 000
Property, plant and equipment	10	1 132 115 007	1 094 664 867
Intangible assets	11	22 580 780	11 462 123
		1 160 412 787	1 111 843 990
Total Assets		1 217 258 381	1 147 994 660
Liabilities			
Current Liabilities			
Finance lease obligation	12	25 273 670	44 087 554
Payables from exchange transactions	13	205 119 584	147 041 501
VAT payable	14	2 888 482	7 980 791
Unspent conditional grants and receipts	16	2 433 662	18 438 044
Employee benefit obligation	15	126 000	109 000
Bank overdraft	8	35 365	3 672 041
		235 876 763	221 328 931
Non-Current Liabilities			
Finance lease obligation	12	15 028 999	-
Employee benefit obligation	15	5 693 000	4 748 000
Provision on Landfill site	17	16 805 831	15 695 038
		37 527 830	20 443 038
Total Liabilities		273 404 593	241 771 969
Net Assets		943 853 788	906 222 691
Accumulated surplus		943 853 791	906 222 690

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	19	50 012 788	47 836 578
Rendering of services		16 375	12 036
Rental of facilities and equipment	20	228 714	162 875
Sale of goods	21	1 035 424	606 093
Operational revenue	22	1 821 563	179 707
Interest received	23	7 457 939	17 842 917
Total revenue from exchange transactions		60 572 803	66 640 206
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	46 901 609	45 248 696
Transfer revenue			
Government grants and subsidies	25	452 896 949	494 697 615
Public contributions and donations	26	17 998 276	-
Fines, penalties and forfeits	27	692 036	813 803
Total revenue from non-exchange transactions		518 488 870	540 760 114
Total revenue	18	579 061 673	607 400 320
Expenditure			
Employee related costs	28	(111 435 810)	(109 296 270)
Remuneration of councillors	29	(19 337 442)	(18 810 430)
Depreciation and amortisation	30	(66 280 531)	(37 614 729)
Impairment	31	(79 205 008)	(113 481 635)
Finance costs	32	(2 772 612)	(22 403 519)
Bulk purchases	33	(47 735 752)	(21 194 627)
Contracted services	34	(159 533 942)	(142 924 609)
Loss on disposal of assets and liabilities		(10 042 783)	(2 361 238)
Actuarial losses		(103 000)	(1 020 000)
Inventory consumed		(1 989 326)	(771 502)
General expenses	35	(42 994 368)	(70 652 552)
Total expenditure		(541 430 574)	(540 531 111)
Surplus for the year		37 631 099	66 869 209

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Balance at 01 July 2017	839 353 481	839 353 481
Changes in net assets		
Surplus for the year	66 869 209	66 869 209
Total changes	66 869 209	66 869 209
Restated* Balance at 01 July 2018	906 222 692	906 222 692
Changes in net assets		
Surplus for the year	37 631 099	37 631 099
Total changes	37 631 099	37 631 099
Balance at 30 June 2019	943 853 791	943 853 791

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		40 097 755	82 449 574
Grants		470 895 225	459 026 370
Interest income		7 457 939	17 669 104
Other receipts		2 742 314	1 156 385
		521 193 233	560 301 433
Payments			
Employee costs		(125 569 556)	(127 632 700)
Suppliers		(247 029 902)	(144 920 646)
Finance costs		(2 277 612)	(17 708 976)
		(374 877 070)	(290 262 322)
Net cash flows from operating activities	37	146 316 163	270 039 111
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(121 742 791)	(139 567 115)
Proceeds from sale of property, plant and equipment	10	6 617 493	(3 826 950)
Purchase of other intangible assets	11	-	(745 614)
Movement in investments		-	(51 057 065)
Net cash flows from investing activities		(115 125 298)	(195 196 744)
Cash flows from financing activities			
Repayment of other financial liabilities		-	(72 800 000)
Finance lease repayment		(3 784 885)	(52 452 937)
Net cash flows from financing activities		(3 784 885)	(125 252 937)
Net increase/(decrease) in cash and cash equivalents		27 405 980	(50 410 570)
Cash and cash equivalents at the beginning of the year		13 886 830	64 297 400
Cash and cash equivalents at the end of the year	8	41 292 810	13 886 830

* See Note 43

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of financial performance						
Revenue						
Revenue from exchange transactions						
Service charges	40 946 000	-	40 946 000	50 012 788	9 066 788	52
Rendering of services	-	-	-	16 375	16 375	
Rental of facilities and equipment	118 000	-	118 000	228 714	110 714	
Other income	-	-	-	1 035 424	1 035 424	
Other income	12 497 000	-	12 497 000	1 821 563	(10 675 437)	
Interest received - investment	13 578 000	-	13 578 000	7 457 939	(6 120 061)	52
Total revenue from exchange transactions	67 139 000	-	67 139 000	60 572 803	(6 566 197)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	49 380 000	-	49 380 000	46 901 609	(2 478 391)	52
Transfer revenue						
Government grants and subsidies	483 881 000	-	483 881 000	452 896 949	(30 984 051)	52
Public contributions and donations	-	-	-	17 998 276	17 998 276	
Fines, penalties and forfeits	-	-	-	692 036	692 036	
Total revenue from non-exchange transactions	533 261 000	-	533 261 000	518 488 870	(14 772 130)	
Total revenue	600 400 000	-	600 400 000	579 061 673	(21 338 327)	
Expenditure						
Employee costs	(134 592 000)	31 116 000	(103 476 000)	(111 435 810)	(7 959 810)	52
Remuneration of councillors	(19 708 000)	-	(19 708 000)	(19 313 496)	394 504	52
Depreciation and amortisation	(41 902 000)	-	(41 902 000)	(66 280 531)	(24 378 531)	52
Impairment loss/ Reversal of impairments	-	-	-	(19 432 656)	(19 432 656)	52
Finance costs	(200 000)	-	(200 000)	(2 772 612)	(2 572 612)	52
Debt impairment	(46 439 000)	-	(46 439 000)	(59 772 352)	(13 333 352)	52
Bulk purchases	(25 732 000)	(10 000 000)	(35 732 000)	(47 735 752)	(12 003 752)	
Other materials	(20 636 000)	1 729 000	(18 907 000)	-	18 907 000	52
Contracted services	(49 497 000)	(1 653 000)	(51 150 000)	(159 533 942)	(108 383 942)	52
Sale of goods/Inventory	-	-	-	(1 989 326)	(1 989 326)	
General expenses	(122 786 000)	13 734 000	(109 052 000)	(41 883 575)	67 168 425	52
Total expenditure	(461 492 000)	34 926 000	(426 566 000)	(530 150 052)	(103 584 052)	
Operating surplus	138 908 000	34 926 000	173 834 000	48 911 621	(124 922 379)	
Loss on disposal of assets and liabilities	-	-	-	(10 042 783)	(10 042 783)	
Actuarial gains/losses	-	-	-	(103 000)	(103 000)	
	-	-	-	(10 145 783)	(10 145 783)	
Surplus before taxation	138 908 000	34 926 000	173 834 000	38 765 838	(135 068 162)	

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual amount on comparable basis as presented in the budget and actual comparative statement	138 908 000	34 926 000	173 834 000	38 765 838	(135 068 162)	

Reconciliation

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of financial position						
Assets						
Current Assets						
Inventories	-	-	-	269 377	269 377	
Operating lease asset	-	-	-	1 769	1 769	
Receivables from exchange transactions	80 426 000	(3 572 000)	76 854 000	1 148 318	(75 705 682)	
Receivables from non-exchange transactions	-	-	-	14 097 956	14 097 956	
Cash and cash equivalents	5 251 000	57 491 000	62 742 000	41 328 174	(21 413 826)	
	85 677 000	53 919 000	139 596 000	56 845 594	(82 750 406)	
Non-Current Assets						
Investment property	-	-	-	5 717 000	5 717 000	
Property, plant and equipment	892 030 000	157 729 000	1 049 759 000	1 132 115 007	82 356 007	
Intangible assets	-	-	-	22 580 780	22 580 780	
	892 030 000	157 729 000	1 049 759 000	1 160 412 787	110 653 787	
Total Assets	977 707 000	211 648 000	1 189 355 000	1 217 258 381	27 903 381	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	25 273 670	25 273 670	
Payables from exchange transactions	40 997 000	-	40 997 000	205 119 584	164 122 584	
VAT payable	-	-	-	2 888 482	2 888 482	
Unspent conditional grants and receipts	-	-	-	2 433 662	2 433 662	
Employee benefit obligation	-	-	-	126 000	126 000	
Bank overdraft	-	-	-	35 365	35 365	
	40 997 000	-	40 997 000	235 876 763	194 879 763	
Non-Current Liabilities						
Other financial liabilities	-	-	-	15 028 999	15 028 999	
Employee benefit obligation	-	-	-	5 693 000	5 693 000	
Provisions	2 984 000	-	2 984 000	-	(2 984 000)	
Other liability 2	-	-	-	16 805 831	16 805 831	
	2 984 000	-	2 984 000	37 527 830	34 543 830	
Total Liabilities	43 981 000	-	43 981 000	273 404 593	229 423 593	
Net Assets	933 726 000	211 648 000	1 145 374 000	943 853 788	(201 520 212)	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus	933 726 000	211 648 000	1 145 374 000	1 162 358 419	16 984 419	

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Cash flow statement						
Cash flows from operating activities						
Receipts						
Property rates	49 380 000	-	49 380 000	43 498 087	(5 881 913)	
Service charges	16 782 000	-	16 782 000	(3 399 610)	(20 181 610)	
Grants	483 881 000	-	483 881 000	454 890 843	(28 990 157)	
Interest income	13 578 000	-	13 578 000	7 457 939	(6 120 061)	
Other receipts	708 000	-	708 000	2 742 313	2 034 313	
	564 329 000	-	564 329 000	505 189 572	(59 139 428)	
Payments						
Suppliers and employees	(372 951 000)	34 926 000	(338 025 000)	(329 270 100)	8 754 900	
Transfers and grants	(6 189 000)	2 000 000	(4 189 000)	-	4 189 000	
Finance costs	(200 000)	-	(200 000)	(2 772 612)	(2 572 612)	
	(379 340 000)	36 926 000	(342 414 000)	(332 042 712)	10 371 288	
Net cash flows from operating activities	184 989 000	36 926 000	221 915 000	173 146 860	(48 768 140)	
Cash flows from investing activities						
Purchase of property, plant and equipment	(197 384 000)	23 583 000	(173 801 000)	(121 742 791)	52 058 209	
Proceeds from sale of property, plant and equipment	-	-	-	4 910 569	4 910 569	
Purchase of other intangible assets	-	-	-	(25 123 772)	(25 123 772)	
Net cash flows from investing activities	(197 384 000)	23 583 000	(173 801 000)	(141 955 994)	31 845 006	
Cash flows from financing activities						
Finance lease payments	-	-	-	(3 784 885)	(3 784 885)	
Net increase/(decrease) in cash and cash equivalents	(12 395 000)	60 509 000	48 114 000	27 405 981	(20 708 019)	
Cash and cash equivalents at the beginning of the year	-	-	-	13 886 830	13 886 830	
Cash and cash equivalents at the end of the year	(12 395 000)	60 509 000	48 114 000	41 292 811	(6 821 189)	
Reconciliation						

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and budget s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial performance											
Property rates	49 380 000	-	49 380 000	-	-	49 380 000	46 901 609		(2 478 391)	95 %	95 %
Service charges	40 946 000	-	40 946 000	-	-	40 946 000	50 012 788		9 066 788	122 %	122 %
Investment revenue	13 578 000	-	13 578 000	-	-	13 578 000	7 457 939		(6 120 061)	55 %	55 %
Transfers recognised - operational	311 497 000	-	311 497 000	-	-	311 497 000	310 802 892		(694 108)	100 %	100 %
Other own revenue	12 497 000	-	12 497 000	-	-	12 497 000	3 794 112		(8 702 888)	30 %	30 %
Total revenue (excluding capital transfers and contributions)	427 898 000	-	427 898 000	-	-	427 898 000	418 969 340		(8 928 660)	98 %	98 %
Employee costs	(134 592 000)	31 116 000	(103 476 000)	-	-	(103 476 000)	(111 435 810)		(7 959 810)	108 %	83 %
Remuneration of councillors	(19 708 000)	-	(19 708 000)	-	-	(19 708 000)	(19 313 496)		394 504	98 %	98 %
Debt impairment	-	-	-	-	-	-	(4 779 729)		(4 779 729)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(41 902 000)	-	(41 902 000)	-	-	(41 902 000)	(140 705 810)		(98 803 810)	336 %	336 %
Finance charges	(200 000)	-	(200 000)	-	-	(200 000)	(2 772 612)		(2 572 612)	1 386 %	1 386 %
Materials and bulk purchases	(46 369 000)	(8 271 000)	(54 640 000)	-	-	(54 640 000)	(47 735 752)		6 904 248	87 %	103 %
Transfers and grants	(14 732 000)	2 000 000	(12 732 000)	-	-	(12 732 000)	-		12 732 000	- %	- %
Other expenditure	(218 722 000)	12 080 000	(206 642 000)	-	-	(206 642 000)	(214 687 365)		(8 045 365)	104 %	98 %
Total expenditure	(476 225 000)	36 925 000	(439 300 000)	-	-	(439 300 000)	(541 430 574)		(102 130 574)	123 %	114 %
Surplus/(Deficit)	(48 327 000)	36 925 000	(11 402 000)	-	-	(11 402 000)	(122 461 234)		(111 059 234)	1 074 %	253 %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget (i.t.o. s28 and s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	172 384 000	(172 384 000)	-	-	-	-	142 094 057	-	142 094 057	DIV/0 %	82 %
Contributions recognised - capital and contributed assets	-	-	-	-	-	-	17 998 276	-	17 998 276	DIV/0 %	DIV/0 %
Surplus (Deficit) after capital transfers and contributions	124 057 000	(135 459 000)	(11 402 000)	-	-	(11 402 000)	37 631 099	-	49 033 099	(330)%	30 %
Surplus/(Deficit) for the year	124 057 000	(135 459 000)	(11 402 000)	-	-	(11 402 000)	37 631 099	-	49 033 099	(330)%	30 %
Capital expenditure and funds sources											
Total capital expenditure	197 384 000	(23 583 000)	173 801 000	-	-	173 801 000	147 949 445	-	(25 851 555)	85 %	75 %
Sources of capital funds											
Transfers recognised - capital	166 884 000	90 000	166 974 000	-	-	166 974 000	-	-	(166 974 000)	- %	- %
Internally generated funds	30 500 000	(23 673 000)	6 827 000	-	-	6 827 000	-	-	(6 827 000)	- %	- %
Total sources of capital funds	197 384 000	(23 583 000)	173 801 000	-	-	173 801 000	-	-	(173 801 000)	- %	- %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s28 and budget s31 of the MFMA)	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	184 988 000	36 926 000	221 914 000	-	-	221 914 000	146 316 163		(75 597 837)	66 %	79 %
Net cash from (used) investing	(197 384 000)	23 583 000	(173 801 000)	-	-	(173 801 000)	(115 125 298)		58 675 702	66 %	58 %
Net cash from (used) financing	-	-	-	-	-	-	(3 784 885)		(3 784 885)	DIV/0 %	DIV/0 %
Net increase/(decrease) in cash and cash equivalents	(12 396 000)	60 509 000	48 113 000	-	-	48 113 000	27 405 980		(20 707 020)	57 %	(221)%
Cash and cash equivalents at the beginning of the year	17 646 000	(3 018 000)	14 628 000	-	-	14 628 000	13 886 830		(741 170)	95 %	79 %
Cash and cash equivalents at year end	5 250 000	57 491 000	62 741 000	-	-	62 741 000	41 292 810		21 448 190	66 %	787 %

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

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 (ASB) 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 Rands. All figures are rounded to the nearest Rand.

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

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

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months. The detail on assumption of going concern is assessed refer to note 42.

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.

Fraud indicators associated with VBS loss was identified through various investigations by the reserve bank, the state investigation unit and different provincial treasury departments. Added to that there number of assurance proving professional bodies which were also implicated in the looses as such proof indemnity does not cover fraud and dishonestly. The national treasury also advised that they will not be in position to bail out affect municipalities.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Receivables

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

The impairment for receivables is first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

For receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

The calculation allowance, in regard to impairment of debtor is based on an assessment to extent to which debtors have defaulted on payment already due and an assessment to make payments based on their payment history. This is performed per servie identifiable catergories accross all classes of receivables

Allowance for slow moving, damaged and obsolete stock

An assessment is made of net realisable value of inventory at the end of each reporting period. A write down of inventory to the lower of cost or net realisable value is subsequently provided.

Management has made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in surplus or deficit.

Impairment testing

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

Value in use of cash-generating assets

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as [list economic factors, such as exchange rates inflation interest].

Value in use of non-cash-generating assets

The municipality reviews and tests the carrying value of non-cash-generating assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Internally generated intangible assets and intangible assets with an indefinite useful life are tested for impairment on an annual basis.

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 17 - Provisions.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of property, plant and equipment and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate involves a matter of judgement based on the experience of the municipality with similar assets. The municipality considers all facts and circumstances in estimating the useful lives of assets, which includes the consideration of financial, technical and other factors. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement and long-term obligations 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 and long-term obligations.

The municipality 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 post-retirement and long-term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government 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 or other long-term liability. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement and other long-term obligations are based on current market conditions. Additional information is disclosed in Note 15.

Effective interest rate

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

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.

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

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

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

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

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.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.4 Investment property (continued)

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

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

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.

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, 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 municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost.

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

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

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

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

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

All items of PPE acquired that comply with the fixed asset definition and exceed the capitalisation threshold of R300, must be capitalised in the FAR at cost and be provided for on the capital budget. Items below the capitalisation threshold can be expensed. This is based on the materiality principle as items below the capitalisation threshold are deemed too immaterial to capitalize. Capitalised items will be bar-coded (when moveable).

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 to initial measurement property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average/range of useful life
Buildings	Straight-line	5-50 years
Community assets	Straight-line	3-25 years
Electricity	Straight-line	20-45 years
Furniture and office equipment	Straight-line	4-10 years
IT equipment	Straight-line	3-8 years
Land	Straight-line	Indefinite
Leased assets	Straight-line	3 years
Motor vehicles	Straight-line	5-15 years
Road and pavement	Straight-line	3-100 years
Sewerage	Straight-line	5-100 years
Tools and loose gear	Straight-line	5-15 years
Water	Straight-line	5-100 years

The municipality assesses at each reporting date whether there is any indication that the municipality's 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 municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

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.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the annual financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development in the notes to the annual financial statements, which include: the cumulative expenditure recognised in the carrying value of an item of property, plant and equipment; the carrying value of an item of property, plant and equipment that is taking a significantly longer period of time to complete than expected; and the carrying value of an item of property, plant and equipment where construction or development has been halted (see note 10).

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

1.6 Intangible assets

An intangible asset is an identifiable, non-monetary asset without physical substance. The municipality has classified computer software as intangible assets.

An asset is identifiable if it either:

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset is recognised when:

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

Intangible asset are initially measured at cost.

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.

Subsequent to initial measurement intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation is provided on a straight line basis over the expected useful lives of the intangible assets.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date. Should the estimate change the municipality revises the expected useful life accordingly. The change is accounted for as a change in an accounting estimate in terms of the Standard of GRAP on Accounting Policies, Changes in Estimates and Errors.

Amortisation is provided to write down the intangible assets, on a straight-line basis to their residual values, if any. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives of intangible assets have been assessed as follows:

Item	Depreciation method	Average/range of useful life
Computer software	Straight-line	3 years

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

1.7 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.

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.

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

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets.

Identification

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

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

Value in use

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

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

Basis for estimates of future cash flows

In measuring value in use, the municipality:

- bases 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;
- bases 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
- estimates 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.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

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, where applicable.

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 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 municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality 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.

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.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.7 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality 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 municipality 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.

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

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

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

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

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

Redesignation

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

1.8 Impairment of non-cash-generating assets

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

The municipality designates an asset as non-cash-generating when its objective is not to use the asset to generate a commercial return but to deliver services.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies this accounting policy.

Identification

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

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

Value in use

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

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

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

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized 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.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

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

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.

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

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

Reversal of an impairment loss

The municipality 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 municipality estimates the recoverable service amount of that asset.

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

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

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.

1.9 Financial instruments

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

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 municipality.

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 municipality.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Receivables from non-exchange transactions	Financial asset measured at amortised cost

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

Class	Category
Bank overdraft	Financial liability measured at amortised cost
Finance lease obligation	Financial liability measured at amortised cost
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for financial instruments subsequently measured at fair value, which are measured at its fair value.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

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

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

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

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations.

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the municipality uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Discounting of short-term receivables and payables

Short-term receivables and payables are not discounted when the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Reclassification

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

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

The municipality 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.

Financial assets measured at amortised cost:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.9 Financial instruments (continued)

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 (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:

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

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.

Financial liabilities

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

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.10 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 municipality 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. The difference between the amounts recognised as revenue and the contractual receipts is recognised as an operating lease asset or liability.

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.

1.11 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 or current replacement cost.

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

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

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

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

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

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.11 Inventories (continued)

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

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location and condition, net of trade discounts and rebates.

Water is valued by using the weighted average method, at the lowest of purified cost and net realisable value, in so far as it is stored and controlled in reservoirs at year-end.

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.

1.12 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on the payment basis, in accordance with Section 15(2) of the Value-added Tax Act (Act No. 89 of 1991).

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within 12 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 12 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 12 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 cell phones) for current employees.

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.13 Employee benefits (continued)

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 the municipality provides post-employment benefits for one or more employees.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

Other long-term employee benefits

The municipality has an obligation to provide other long-term service allowance benefits to all of its employees.

The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to determine the present value of the obligation.

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

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

The municipality recognises 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;
- past service cost; and
- the effect of any curtailments or settlements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.14 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating deficits.

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

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

1.15 Accumulated surplus/(deficit)

The accumulated surplus/(deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific financial year are credited/debited against accumulated surplus/(deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus/(deficit) when retrospective adjustments are made.

1.16 Revenue from exchange transactions

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.16 Revenue from exchange transactions (continued)

Measurement

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

Sale of goods

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

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

When 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 revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

Interest

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

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

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

1.17 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, the municipality 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.

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.

Revenue received from conditional grants, donations and other funding are recognised as revenue to the extent that the municipality has complied with the criteria, conditions or obligations embodied in the agreement, where applicable. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Measurement

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

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

Property rates

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

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

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

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

Transfers

Transfers and subsidies – non-exchange revenue

Unconditional Grants

Equitable share allocations are recognised in revenue at the start of the financial year.

Conditional Grants

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Fines

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

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The municipality makes use of estimates to determine the amount of revenue that it is entitled to collect. Where settlement discounts or reductions in the amount payable are offered, the municipality considers past history in assessing the likelihood of these discounts or reductions being taken up by receivables.

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

Gifts and donations, including goods in-kind

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

1.18 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase of sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

1.19 Investment income

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

1.20 Borrowing costs

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

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

1.21 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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the unauthorised expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on unauthorised expenditure, refer to note 47 - Unauthorised expenditure.

1.22 Fruitless and wasteful expenditure

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.22 Fruitless and wasteful expenditure (continued)

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 and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the fruitless and wasteful expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on fruitless and wasteful expenditure, refer to note 48 .

1.23 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998), or is in contravention of the municipality's supply chain management policy.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred and classified in accordance with the nature of the expense. Upon investigation, if a person was found to be liable in law for the irregular expenditure that occurred, a receivable is recognised for the recovery of the monies, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

For details on irregular expenditure, refer to note 49 - Irregular expenditure.

1.24 Commitments

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

Disclosures are made in respect of unrecognised contractual commitments, which include future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitments, as well as future commitments relating to operating leases. Refer to note 39 - Commitments.

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

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

1.25 Budget information

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

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

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

1.26 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.

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Accounting Policies

1.26 Related parties (continued)

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances. Refer to note 41 - Related parties.

1.27 Events after reporting date

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

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

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

The municipality discloses 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.

1.28 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. Refer to note 42 - Comparative figures.

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

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:

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12).
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term "ammunition" in IPSAS 12 was replaced with the term "military inventories" and provides a description of what it comprises in accordance with Government Finance Statistics terminology.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 16 (as amended 2016): Investment Property

Amendments to the Standard of GRAP on Investment Property resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IAS 40 on Investment Property as a result of the IASB's amendments on Annual Improvements to IFRSs 2011 – 2013 Cycle issued in December 2013.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IASB amendments: To clarify the interrelationship between the Standards of GRAP on Transfer of Functions Between Entities Not Under Common Control and Investment Property when classifying investment property or owner-occupied property.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued and to clarify acceptable methods of depreciating assets. To align terminology in GRAP 17 with that in IPSAS 17. The term "specialist military equipment" in IPSAS 17 was replaced with the term "weapon systems" and provides a description of what it comprises in accordance with Government Finance Statistics terminology. To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 21 (as amended 2016): Impairment of Non-cash-generating Assets

Amendments to the Standard of GRAP on Impairment of Non-cash-generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 26 (as amended 2016): Impairment of Cash-generating Assets

Amendments Changes to the Standard of GRAP on Impairment of Cash-generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 31 (as amended 2016): Intangible Assets

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12) and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued and to clarify acceptable methods of depreciating assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12). To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2018/2019 annual financial statements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

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

GRAP 104 (amended): Financial Instruments

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that:

- (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making;
- (b) using fair value in certain instances was inappropriate; and
- (c) some of the existing accounting requirements were seen as too rules based.

As a result, the IASB amended its existing Standards to deal with these issues. The IASB issued the IFRS Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to the IFRS Standard on Financial Instruments: Presentation (IAS 32) and the IFRS Standard on Financial Instruments: Disclosures (IFRS 7). The IPSASB issued revised IPSASs in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- financial guarantee contracts issued;
- loan commitments issued;
- classification of financial assets;
- amortised cost of financial assets;
- impairment of financial assets; and
- disclosures.

The effective date of the amendment is not yet set by the Minister of Finance.

The municipality expects to adopt the amendment for the first time when the Minister sets the effective date for the amendment.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Guideline on Accounting for Landfill Sites

The Constitution of the Republic of South Africa, gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to entities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold entities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

It covers: Overview of the legislative requirements that govern landfill sites, Accounting for land, Accounting for the landfill site asset, Accounting for the provision for rehabilitation, Closure, End-use and monitoring, Other considerations, and Annexures with Terminology and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

Guideline on the Application of Materiality to Financial Statements

The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP and References to pronouncements used in the Guideline.

The effective date of the guideline is not yet set by the Minister of Finance.

The municipality expects to adopt the guideline for the first time when the Minister sets the effective date for the guideline.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 1 (amended): Presentation of Financial Statements

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:

- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity should apply judgement based on past experience and current facts and circumstances in the identification of significant accounting policies.

The effective date of this amendment is for years beginning on or after 01 April 2020.

The municipality expects to adopt the amendment for the first time in the 2020/2021 annual financial statements.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The impact of the amendment is not material.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 and to clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued and to clarify acceptable methods of depreciating assets. To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the standard is for years beginning on or after 01 April 2020.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue

The amendments to this Interpretation clarifies that the entity should also consider other factors in assessing the probability of future economic benefits or service potential to the entity. Entities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue. For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where the entity grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, an entity considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

An entity should apply judgement based on past experience and current facts and circumstances in determining the amount of revenue to be recognised.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme

The objective of this Guideline: Entities in the public sector are frequently involved in the construction of houses as part of government's housing policy, implemented through the national housing programme, which is aimed at developing sustainable human settlements. The Housing Act (Act No. 107 of 1997) provides information about the housing programmes that fall within the scope of the national housing programme. Concerns were raised by preparers about the inconsistent accounting applied to housing arrangements undertaken by entities under the national housing programme. Different accounting may be appropriate where there are differences between the terms and conditions of arrangements concluded by entities. However, under housing arrangements that are undertaken in terms of the national housing programme, there are common features and issues that need to be considered. As a result, the Board agreed to develop high-level guidance for arrangements undertaken in terms of the national housing programme.

It covers: Background to arrangements undertaken in terms of the national housing programme, Transactions that affect the accounting of housing arrangements, Consider whether the municipality undertakes transactions with third parties on behalf of another party, Accounting by municipalities appointed as project manager, Disclosure requirements, Accounting by municipalities appointed as project developer, Accounting for the accreditation fee, commission, administration or transaction fee received, Land and infrastructure, Conclusion and Application of this Guideline to existing arrangements.

The effective date of the guideline is for years beginning on or after 01 April 2019.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

It is unlikely that the guideline will have a material impact on the municipality's annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The effective date of the standard is for years beginning on or after 01 April 2020.

The municipality expects to adopt the standard for the first time in the 2020/2021 annual financial statements.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the annual financial statements.

GRAP 20: Related Parties

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The Standard elaborates on the definitions and identification of:

- close member of the family of a person;
- management;
- related parties;
- remuneration; and
- significant influence.

The Standard sets out the requirements, inter alia, for the disclosure of:

- control;
- related party transactions; and
- remuneration of management.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 32: Service Concession Arrangements: Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which:
(a) the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time; and
(b) the operator is compensated for its services over the period of the service concession arrangement.

It furthermore covers: Definitions, Recognition and measurement of a service concession asset, Recognition and measurement of liabilities, other liabilities, contingent liabilities, contingent assets and other revenues, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 106 (as amended 2016): Transfers of Functions Between Entities not Under Common Control

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The subsequent amendments to the Standard resulted from changes made to IFRS 3 on Business Combinations as a result of the IASB's amendments on Annual Improvements to IFRSs 2010 – 2012 Cycle issued in December 2013.

The most significant changes to the Standard are:

- IASB amendments: To require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting period.

The effective date of the amendment is for years beginning on or after 01 April 2019.

The municipality expects to adopt the amendment for the first time in the 2019/2020 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for statutory receivables.

Statutory receivables are receivables that:

- (a) arise from legislation, supporting regulations, or similar means; and
- (b) require settlement by another entity in cash or another financial asset.

It furthermore covers: Definitions, Recognition, Derecognition, Measurement, Presentation and disclosure, Transitional provisions, and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers: Definitions, Identifying whether an entity is a principal or agent, Accounting by a principal or agent, Presentation and disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality expects to adopt the standard for the first time in the 2019/2020 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 11: Consolidation – Special Purpose Entities

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

An entity may be created to accomplish a narrow and well-defined objective (e.g. to effect a lease, research and development activities or a securitisation of financial assets). Such a special purpose entity ('SPE') may take the form of a corporation, trust, partnership or unincorporated entity. SPEs often are created with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their management over the operations of the SPE. Frequently, these provisions specify that the policy guiding the ongoing activities of the SPE cannot be modified, other than perhaps by its creator or sponsor (i.e. they operate on so-called 'autopilot'). The sponsor (or entity on whose behalf the SPE was created) frequently transfers assets to the SPE, obtains the right to use assets held by the SPE or performs services for the SPE, while other parties ('capital providers') may provide the funding to the SPE. An entity that engages in transactions with an SPE (frequently the creator or sponsor) may in substance control the SPE. A beneficial interest in an SPE may, for example, take the form of a debt instrument, an equity instrument, a participation right, a residual interest or a lease. Some beneficial interests may simply provide the holder with a fixed or stated rate of return, while others give the holder rights or access to other future economic benefits or service potential of the SPE's activities. In most cases, the creator or sponsor (or the entity on whose behalf the SPE was created) retains a significant beneficial interest in the SPE's activities, even though it may own little or none of the SPE's net assets.

The Standard of GRAP on Consolidated and Separate Financial Statements requires the consolidation of entities that are controlled by the reporting entity. However, the Standard does not provide explicit guidance on the consolidation of SPEs. The issue is under what circumstances an entity should consolidate an SPE. This Interpretation does not apply to post-employment benefit plans or other long-term employee benefit plans to which the Standard of GRAP on Employee Benefits applies.

A transfer of assets from an entity to a SPE may qualify as a sale by that entity. Even if the transfer does qualify as a sale, the provisions of the Standard of GRAP on Consolidated and Separate Financial Statements and this Interpretation may mean that the entity should consolidate the SPE. This Interpretation does not address the circumstances in which sale treatment should apply for the entity or the elimination of the consequences of such a sale upon consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 12: Jointly Controlled Entities – Non-monetary Contributions by Ventures

Paragraph .54 in the Standard of GRAP on Interests in Joint Ventures refers to both contributions and sales between a venturer and a joint venture as follows: 'When a venturer contributes or sells assets to a joint venture, recognition of any portion of a gain or loss from the transaction shall reflect the substance of the transaction'. In addition, paragraph 31 in the Standard of GRAP on Interests in Joint Ventures says that 'a jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest'. There is no explicit guidance on the recognition of gains and losses resulting from contributions of non-monetary assets to jointly controlled entities ('JCEs').

Contributions to a JCE are transfers of assets by venturers in exchange for an interest in the net asset in the JCE. Such contributions may take various forms. Contributions may be made simultaneously by the venturers either upon establishing the JCE or subsequently. The consideration received by the venturer(s) in exchange for assets contributed to the JCE may also include cash or other consideration that does not depend on future cash flows of the JCE ('additional consideration').

The issues are:

- when the appropriate portion of gains or losses resulting from a contribution of a non-monetary asset to a JCE in exchange for an interest in the net assets in the JCE should be recognised by the venturer in surplus or deficit;
- how additional consideration should be accounted for by the venturer; and
- how any unrealised gain or loss should be presented in the consolidated

This Interpretation deals with the venturer's accounting for non-monetary contributions to a JCE in exchange for an interest in the net assets in the JCE that is accounted for using either the equity method or proportionate consolidation.

The effective date of this interpretation is dependent on/in conjunction with the effective date of GRAP 105, 106 and 107.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

This Interpretation provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land

This Interpretation applies to the initial recognition and derecognition of land in an entity's financial statements. It also considers joint control of land by more than one entity.

When an entity concludes that it controls the land after applying the principles in this Interpretation, it applies the applicable Standard of GRAP, i.e. the Standard of GRAP on Inventories, Investment Property, Property, Plant and Equipment, or Heritage Assets. As this Interpretation does not apply to the classification, initial and subsequent measurement, presentation and disclosure requirements of land, the entity applies the applicable Standard of GRAP to account for the land once control of the land has been determined. An entity also applies the applicable Standards of GRAP to the derecognition of land when it concludes that it does not control the land after applying the principles in this Interpretation.

In accordance with the principles in the Standards of GRAP, buildings and other structures on the land are accounted for separately. These assets are accounted for separately as the future economic benefits or service potential embodied in the land differs from those included in buildings and other structures. The recognition and derecognition of buildings and other structures are not addressed in this Interpretation of the Standards of GRAP.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 19: Liabilities to Pay Levies

This Interpretation provides guidance on the accounting for levies in the financial statements of the entity that is paying the levy. It clarifies when entities need to recognise a liability to pay a levy that is accounted for in accordance with GRAP 19.

To clarify the accounting for a liability to pay a levy, this Interpretation addresses the following issues:

- what is the obligating event that gives rise to the recognition of a liability to pay a levy?
- does economic compulsion to continue to operate in a future period create a constructive obligation to pay a levy that will be triggered by operating in that future period?

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- does the going concern assumption imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period?
- does the recognition of a liability to pay a levy arise at a point in time or does it, in some circumstances, arise progressively over time?
- what is the obligating event that gives rise to the recognition of a liability to pay a levy that is triggered if a minimum threshold is reached?

Consensus reached in this interpretation:

- the obligating event that gives rise to a liability to pay a levy is the activity that triggers the payment of the levy, as identified by the legislation;
- an entity does not have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period;
- the preparation of financial statements under the going concern assumption does not imply that an entity has a present obligation to pay a levy that will be triggered by operating in a future period;
- the liability to pay a levy is recognised progressively if the obligating event occurs over a period of time;
- If an obligation to pay a levy is triggered when a minimum threshold is reached, the accounting for the liability that arises from that obligation shall be consistent with the principles established in this Interpretation; and
- an entity shall recognise an asset, in accordance with the relevant Standard of GRAP, if it has prepaid a levy but does not yet have a present obligation to pay that levy.

The effective date of the interpretation is for years beginning on or after 01 April 2019.

The municipality expects to adopt the interpretation for the first time in the 2019/2020 annual financial statements.

It is unlikely that the interpretation will have a material impact on the municipality's annual financial statements.

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The municipality expects to adopt the interpretation for the first time in the 2020/2021 annual financial statements.

The impact of this directive is currently being assessed.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
--	------	------

3. Inventories

Consumable stores	269 377	1 427 269
Carrying value of inventories carried at cost	269 377	1 427 269
Inventories recognised as an expense during the year	47 977 328	24 507 397

Inventory pledged as security

No inventory was pledged as security. The inventory count was conducted on the 28 June 2019.

4. Operating lease asset

Current assets	1 769	13 623
Minimum lease payments due		
within one year	46 553	40 161
in second to fifth year	46 168	-
	92 721	40 161

5. Receivables from exchange transactions

Consumer debtors - Water	524 648	551 401
Consumer debtors - Refuse	276 622	276 609
Consumer debtors - Interest	347 048	848 734
	1 148 318	1 676 744

Trade and other receivables pledged as security

No trade receivables were pledged as security.

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

Trade and other receivables impaired

As of 30 June 2019, trade and other receivables of 314 302 253 (2018: 300 496 413) were impaired and provided for.

The amount of the provision was (313 153 935) as of 30 June 2019 (2018: 298 819 669).

There is no debt that is passed due, but not impaired.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	298 819 669	269 861 722
Provision for impairment	14 333 988	28 957 947
	313 153 657	298 819 669

The municipality does not hold any collateral as security.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
6. Receivables from non-exchange transactions		
Government grants and subsidies	-	967 123
Other receivables	10 732	-
Consumer debtors - Rates	14 087 224	14 507 040
	14 097 956	15 474 163

Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

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

Receivables from non-exchange transactions impaired

As of 30 June 2019, receivables from non-exchange transactions of 51 976 045 (2018: 47 616 132) were impaired and provided for.

The amount of the provision was (37 888 821) as of 30 June 2019 (2018: (33 109 092)).

Reconciliation of provision for impairment of receivables from non-exchange transactions

Opening balance	33 109 092	25 659 399
Provision for impairment	4 779 729	7 449 693
	37 888 821	33 109 092

The municipality does not hold any collateral as security.

The average credit period receivables are 30 days. No interest is charged for the first 30 days from the date of the invoice. Thereafter interest is charged at the prime rate, charged by the municipality's banker, plus two percent per annum on the outstanding balance. The municipality strictly enforces its approved credit control to ensure the recovery of receivables.

The management of the municipality is of the opinion that the carrying value of receivables approximates their value.

The provision for impairment of receivables exists predominantly to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the statement of financial position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

The provision for impairment is calculated after receivable accounts with overall credit balances at reporting date is taken out. The impairment loss of debtors is calculated by multiplying individual debtor's balances by a risk factor (determined based on payment history and other traits which impact on recoverability). Receipts in July (following the reporting date) are deducted from the debtors total debt at year end (limited to the value of the debt). This approach ensures that all debtors, regardless of value are considered individually. All debtors are categorised into one of four categories. These categories are very high risk, high risk, medium risk and low risk. Debtors are given a risk category based on their payment history and other relevant traits on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that collateralise with default of the portfolio.

7. Consumer debtors disclosure

Gross balances

Consumer debtors - Rates	51 976 045	47 616 132
Consumer debtors - Water	151 824 474	159 675 630
Consumer debtors - Refuse	103 553 709	82 860 093
Consumer debtors - Interest & Sundry debtor	58 924 070	57 960 690
	366 278 298	348 112 545

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Less: Allowance for impairment		
Consumer debtors - Rates	(37 888 821)	(33 109 092)
Consumer debtors - Water	(151 299 826)	(159 124 229)
Consumer debtors - Refuse	(103 277 087)	(82 583 484)
Consumer debtors - Interest & Sundry debtor	(58 577 022)	(57 111 956)
	(351 042 756)	(331 928 761)
Net balance		
Consumer debtors - Rates	14 087 224	14 507 040
Consumer debtors - Water	524 648	551 401
Consumer debtors - Refuse	276 622	276 609
Consumer debtors - Interest & Sundry debtor	347 048	848 734
	15 235 542	16 183 784

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
7. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Residences		
Current (0 -30 days)	-	9 960 812
31 - 60 days	4 838 571	4 960 320
61 - 90 days	4 691 429	4 905 297
91 - 120 days	4 665 017	4 913 431
121 - 365 days	36 257 236	38 682 789
> 365 days	269 309 832	245 857 677
	319 762 085	309 280 326
Less: Allowance for impairment	(317 459 679)	(308 850 539)
	2 302 406	429 787
Commercial		
Current (0 -30 days)	190 333	390 497
31 - 60 days	185 505	91 366
61 - 90 days	182 347	84 425
91 - 120 days	182 184	84 170
121 - 365 days	1 219 904	672 527
> 365 days	7 298 764	6 205 820
	9 259 037	7 528 805
Less: Allowance for impairment	(9 038 269)	(7 317 038)
	220 768	211 767
Government		
Current (0 -30 days)	14 825 538	1 893 375
31 - 60 days	484 369	826 710
61 - 90 days	465 818	829 329
91 - 120 days	388 343	814 220
121 - 365 days	2 727 264	6 082 702
> 365 days	6 594 962	15 697 664
	25 486 294	26 144 000
Less: Allowance for impairment	(11 122 498)	(10 602 753)
	14 363 796	15 541 247
Indigent		
Current (0 -30 days)	676 952	80 716
31 - 60 days	677 876	34 004
61 - 90 days	677 431	29 847
91 - 120 days	677 358	40 266
121 - 365 days	4 953 133	299 227
> 365 days	3 364 335	2 277 865
	11 027 085	2 761 925
Sundry income		
Current (0 -30 days)	-	2 397 489
121 - 365 days	2 249	-
> 365 days	899 561	-
	901 810	2 397 489

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
8. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	59 197	177
Bank balances	13 761 243	-
Short-term deposits	27 507 734	17 558 694
Bank overdraft	(35 365)	(3 672 041)
	41 292 809	13 886 830
Current assets	41 328 174	17 558 871
Current liabilities	(35 365)	(3 672 041)
	41 292 809	13 886 830

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.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
ABSA Bank - Account type - Cheque account	(35 365)	1 723 023	251 157	13 065 077	3 419 288	(1 192 976)
ABSA Bank - Account type - Call Account	11 036 577	10 441 874	4 104 194	27 507 734	14 825 863	6 989 390
Nedbank - Account type - Call Account	-	15 781	-	-	(3 672 041)	(2 398 898)
VBS - Account type - Call Account	51 057 065	51 057 065	60 868 118	-	-	60 868 118
Total	62 058 277	63 237 743	65 223 469	40 572 811	14 573 110	64 265 634

Reconciliation of VBS Mutual bank - provision for impairment

VBS - Account Type - Call accounts	51 057 065	51 057 065
Provision on impairment	(51 057 065)	(51 057 065)
	-	-

VBS bank has been placed under curatorship, therefore the recovery of the investment is unknown. The municipality has not received any communication from the curator therefore management has taken into consideration all the reports circulating relating to the matter and have made 100% provision on impairment for the investment.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	5 717 000	-	5 717 000	5 717 000	-	5 717 000

Reconciliation of investment property - 2019

	Opening balance	Total
Investment property	5 717 000	5 717 000

Reconciliation of investment property - 2018

	Opening balance	Fair value adjustments	Total
Investment property	5 876 000	(159 000)	5 717 000

Pledged as security

No investment property was pledged as security.

There are no repairs and maintenance related to investment property incurred in the current year.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment

	2019				2018				
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	46 972 530	-	46 972 530	46 972 530	-	46 972 530	46 972 530	-	46 972 530
Buildings	236 024 989	(144 480 488)	91 544 501	223 334 137	(140 097 354)	83 236 783	223 334 137	(140 097 354)	83 236 783
Furniture and fixtures	7 639 097	(5 607 657)	2 031 440	7 393 865	(5 683 707)	1 710 158	7 393 865	(5 683 707)	1 710 158
Motor vehicles	17 762 274	(3 916 624)	13 845 650	17 762 274	(2 851 292)	14 910 982	17 762 274	(2 851 292)	14 910 982
Office equipment	4 008 331	(3 288 295)	720 036	4 481 655	(558 909)	3 922 746	4 481 655	(558 909)	3 922 746
IT equipment	1 556 880	(1 249 528)	307 352	1 556 880	(1 180 736)	376 144	1 556 880	(1 180 736)	376 144
Infrastructure	860 188 511	(280 056 626)	580 131 885	775 683 550	(254 216 894)	521 466 656	775 683 550	(254 216 894)	521 466 656
Work in progress	358 476 327	-	358 476 327	385 315 519	-	385 315 519	385 315 519	-	385 315 519
Leased Assets	60 894 660	(22 809 374)	38 085 286	62 562 723	(22 809 374)	39 753 349	62 562 723	(22 809 374)	39 753 349
Total	1 593 523 599	(461 408 592)	1 132 115 007	1 522 063 133	(427 398 266)	1 094 664 867	1 522 063 133	(427 398 266)	1 094 664 867

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Others	Depreciation	Impairment loss	Total
Land	46 972 530	-	-	-	-	-	-	46 972 530
Buildings	83 236 783	16 189 232	(1 206 249)	-	(476 412)	(5 907 916)	(290 937)	91 544 501
Furniture and fixtures	1 710 158	618 034	(3 821)	-	432 748	(725 679)	-	2 031 440
Motor vehicles	14 910 982	-	-	-	140 283	(1 205 615)	-	13 845 650
Office equipment	922 746	-	1 246	-	30 620	(234 576)	-	720 036
IT equipment	376 144	-	(7 685)	-	16 978	(78 085)	-	307 352
Infrastructure	521 466 656	96 387 550	(7 410 450)	-	1 991 159	(32 290 781)	(12 249)	580 131 885
Capital work in progress	385 315 519	105 487 899	-	(112 576 782)	-	-	(19 750 309)	358 476 327
Other leased assets	39 753 349	18 005 631	(8 033 317)	-	-	(11 640 377)	-	38 085 286
Total	1 094 664 867	236 688 346	(16 660 276)	(112 576 782)	2 135 376	(52 083 029)	(20 053 495)	1 132 115 007

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Others	Depreciation	Impairment loss	Total
Land	46 972 530	-	-	-	-	-	-	46 972 530
Buildings	87 305 055	2 712 478	(526 582)	-	103 166	(6 356 293)	(1 041)	83 236 783
Furniture and fixtures	2 182 146	231 280	50	-	-	(703 318)	-	1 710 158
Motor vehicles	9 024 689	7 317 627	(454 702)	-	-	(976 632)	-	14 910 982
Office equipment	906 229	385 219	(11 488)	-	-	(357 214)	-	922 746
IT equipment	923 696	35 888	(376 299)	-	-	(207 141)	-	376 144
Infrastructure	490 922 284	65 157 755	(936 382)	-	2 262	(32 543 994)	(1 135 269)	521 466 656
Capital work in progress	305 532 199	138 415 988	-	(58 632 668)	-	-	-	385 315 519
Other leased assets	51 176 797	-	-	-	-	(11 423 448)	-	39 753 349
	994 945 625	214 256 235	(2 305 403)	(58 632 668)	105 428	(52 568 040)	(1 136 310)	1 094 664 867

Pledged as security

No property, plant and equipment were pledged as security.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

11. Intangible assets

	2019		2018			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	58 764 527	(36 183 747)	22 580 780	33 640 755	(22 178 632)	11 462 123

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer software	11 462 123	25 123 772	(14 005 115)	22 580 780

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software	21 930 094	745 614	(11 213 585)	11 462 123

Pledged as security

No intangible assets were pledged as security.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
12. Finance lease obligation		
12.1 Minimum lease payments due		
- within one year	10 093 054	48 037 948
- in second to fifth year inclusive	7 461 958	-
	17 555 012	48 037 948
less: future finance charges	734 447	(2 471 807)
Present value of minimum lease payments	18 289 459	45 566 141
Present value of minimum lease payments due		
- within one year	10 093 054	43 569 293
- in second to fifth year inclusive	7 461 658	-
	17 554 712	43 569 293

Finance lease liabilities relates to IT equipment with lease terms of 36 months. The effective interest rates on finance lease is 4.62%. The lease is renewable at the end of the lease period. Capitalised lease liabilities are secured over the items of IT Equipment leased.

12.2 Minimum lease payments due		
- within one year	14 446 169	-
- in second to fifth year inclusive	7 567 041	-
Subtotal	22 013 210	-
	22 013 210	-
Present value of minimum lease payments due		
- within one year	14 446 169	-
- in second to fifth year inclusive	7 567 041	-
	22 013 210	-

The finance lease relates to Microsoft Licences with lease terms of 24 months. There is no interest Cost. The lease is renewable at the end of the lease period. Capitalised lease liabilities are secured over the items of intangible assets.

Defaults and breaches

No defaults or breaches on finance lease payments during the year.

13. Payables from exchange transactions

Trade payables	145 655 914	98 235 885
Payments received in advanced	7 921 152	2 257 108
Retention	38 237 199	35 868 426
Accrued leave pay	11 231 644	8 828 549
Accrued bonus	2 073 675	1 851 533
	205 119 584	147 041 501

14. VAT payable

Tax refunds payables	2 888 482	7 980 791
----------------------	-----------	-----------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

15. Employee benefit obligations

Long service awards

Under the plan, a long service award is payable to employees under 10 years of continuous service, and every 5 years of continuous service from 10 years of service to 45 years of service. The provision is an estimate of the long service based on historical staff turnover.

The actuarial valuations of plan asset and present value of the defined benefit obligation were carried out by ZAQ Consultants and Actuaries, Neil Fourie, fellow of the Actuarial Society of South Africa. The project unit credit funding method has been used to determine the past-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.

The long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(5 693 000)	(4 748 000)
Non-current liabilities	(5 693 000)	(4 748 000)
Current liabilities	(126 000)	(109 000)
	(5 819 000)	(4 857 000)

Long service benefits are awarded in the form of a number of leave days awarded once an employee has completed a certain number of years in service. The accrued liability is determined on the basis that each employee's long service benefit accrues uniformly over the working life of an employee up to the end of the interval at which the benefit becomes payable.

Changes in the present value of the long service award are as follows:

Opening balance	4 857 000	3 363 000
Benefits paid	(126 000)	(235 000)
Net expense recognised in the statement of financial performance	1 088 000	1 729 000
	5 819 000	4 857 000

Net expense recognised in the statement of financial performance

Current service cost	490 000	365 000
Interest cost	495 000	344 000
Actuarial (gains) losses	103 000	1 020 000
	1 088 000	1 729 000

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

15. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rate	Yield curve	Yield curve
Net effective discount rate	Yield curve	Yield curve
	based	based
CPI	Difference	Difference
	between	between
	nominal and	nominal and
	real yield curve	real yield curve
Normal salary increase rate	CPI +%	CPI +%
Average retirement age	63	63

20% increase/decrease in assumed level of withdrawal rates

	-20%	20%
	withdrawal	withdrawal
Total accrued liability	6 144 000	5 523 000
Current service cost	528 000	514 000
Interest cost	632 000	567 000
	7 304 000	6 604 000

1% increase/decrease in assumed level of salary inflation

	-1% Normal	1% Normal
	salary inflation	salary inflation
Total accrued liability	5 443 000	6 234 000
Current service cost	508 000	592 000
Interest cost	558 000	641 000
	6 509 000	7 467 000

16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

District Bonjanala Grant	-	94 892
WSIG Grant	1 390 487	17 526 433
Municipal Infrastructure Grant	65 095	29 248
EPWP Grant	-	-
Finance Management Grant	-	-
North West Sport : Maubane Cultural Village	500 000	500 000
Library Grant	478 080	287 471
	2 433 662	18 438 044

Movement during the year

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 25 for reconciliation of grants from National/Provincial Government.

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

17. Provision on landfill site

Reconciliation of provisions - 2019

	Opening Balance	Unwinding of interest	Change in timing, amount and discounting factor	Total
Provision on landfill site	15 695 038	1 230 130	(119 337)	16 805 831

The landfill rehabilitation and closure is created for the rehabilitation and closure of the current operational site which is evaluated at each year-end to reflect the best estimate at reporting date. The site under consideration is the Motla landfill site. The valuation for the landfill site was performed by Seakle K.B. Godschalk from Environmental and sustainability solutions CC. Seakle K.B. Godschalk is a professional engineer and member of the Engineering Council of South Africa.

Key financial assumptions used in this calculation were as follows:

Assumption	Motla landfill site
CPI	4.4437%
Discount rate	7.9437%
Net affective discount rate	3.5%

The amount of the discounted landfill closure provision of R16,805,831 represents an increase of R1,110,793 over the provision of R15,695,038 in the previous financial year. Composition of this change relate to changes in the CPI, discount rate and unit costs.

The amount is a discounted amount based on the expected remaining life of the landfill site and based on the size of the area that had been used for waste disposal as at 30 June 2019. The size of the landfill site used up until now and estimate remaining useful life is as follows:

Approximate footprint at 30 June 2019	5.0376 ha
Remaining useful life 5.0376 ha	Approximately 17 years

18. Revenue

Rendering of services	16 375	12 036
Service charges	50 012 788	47 836 578
Rental of facilities and equipment	228 714	162 875
Sale of goods	1 035 424	606 093
Operational income	1 821 563	179 707
Interest received - investment	7 457 939	17 842 917
Property rates	46 901 609	45 248 696
Government grants and subsidies	452 896 949	494 697 615
Public contributions and donations	17 998 276	-
Fines, penalties and forfeits	692 036	813 803
	579 061 673	607 400 320

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
18. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	50 012 788	47 836 578
Rendering of services	16 375	12 036
Rental of facilities and equipment	228 714	162 875
Sales of goods	1 035 424	606 093
Operational income	1 821 563	179 707
Interest received - investment	7 457 939	17 842 917
	60 572 803	66 640 206
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	46 901 609	45 248 696
Transfer revenue		
Government grants and subsidies	452 896 949	494 697 615
Public contributions and donations	17 998 276	-
Fines, penalties and forfeits	692 036	813 803
	518 488 870	540 760 114
19. Service charges		
Sale of water	29 532 184	28 475 197
Refuse removal	20 480 604	19 361 381
	50 012 788	47 836 578
20. Rental of facilities and equipment		
Facilities and equipment		
Rental of facilities	228 714	162 875
Included in the above rentals are operating lease rentals at straight-lined amounts of 2019: 9272 (2018: 40 161) .		
21. Other revenue		
Sale of goods	1 035 424	606 093
22. Operational revenue		
Membership fees gym	93 502	10 188
Insurance payout	1 500 000	-
SETA fund income	228 061	169 519
	1 821 563	179 707
23. Investment revenue		
Interest revenue		
Bank	5 226 585	8 904 761
Interest charged on trade and other receivables	2 231 354	8 938 156
	7 457 939	17 842 917

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
24. Property rates		
Rates received		
Rates on property	46 901 609	45 248 696
Valuations		
Residential	1 161 305 000	1 161 305 000
Commercial	46 111 000	46 111 000
State	603 450 500	603 450 500
Municipal	715 021 000	715 021 000
	2 525 887 500	2 525 887 500

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2019. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Interim valuations are processed on a continuous basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rate amounts.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies		
Operating grants		
Equitable share	306 721 000	284 591 277
District Bonjalana Grant	94 892	906 456
Local Government Financial Management Grant	2 215 000	2 145 000
Expanded Publics Works Programme Grant	1 772 000	1 544 000
	310 802 892	289 186 733
Capital grants		
Water Services Infrastructure Grant	58 609 513	44 473 568
Municipal Infrastructure Grant	82 886 153	159 815 752
Library Grant	598 391	1 221 562
	142 094 057	205 510 882
	452 896 949	494 697 615
District Bonjalana Grant		
Balance unspent at beginning of year	94 892	(1 498 652)
Current-year receipts	-	2 500 000
Conditions met - transferred to revenue	(94 892)	(906 456)
	-	94 892
Conditions has been met.		
This grant is for the assistance with the implementation of MSCOA.		
Local Government Financial Management Grant		
Current-year receipts	2 215 000	2 145 000
Conditions met - transferred to revenue	(2 215 000)	(2 145 000)
	-	-
Conditions has been met.		
The pupose of this grant was to promote support reforms in financial management by building capacity in municipalities to implement the local government: Municipal finance management act (MFMA).		
Expanded Publics Works Programme Grant		
Current-year receipts	1 772 000	1 544 000
Conditions met - transferred to revenue	(1 772 000)	(1 544 000)
	-	-
Conditions has been met.		
The purpose of this grant was to encourage local authorities and provintial departments to increase job creation efforts in infrastructure, environment and culture programmes through the use of labour intensive methods and the expansion of job creation in line with the expanded public works programme guidelines.		
Water Services Infrastructure Grant		
Balance unspent at beginning of year	17 526 433	10 081 070
Current-year receipts	60 000 000	62 000 000
Conditions met - transferred to revenue	(58 597 716)	(44 473 568)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
25. Government grants and subsidies (continued)		
Roll over not approved	(17 526 433)	(10 081 069)
	1 402 284	17 526 433

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The grant is intended to fund bulk, connector and internal infrastructure of water services at a basic level of services.

Municipal Infrastructure Grant

Balance unspent at beginning of year	29 248	18 477 207
Current-year receipts	82 922 000	159 845 000
Conditions met - transferred to revenue	(82 886 151)	(159 815 752)
Roll over not approved	-	(18 477 207)
	65 097	29 248

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

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

North West Sport: Maubane Cultural Village

Balance unspent at beginning of year	500 000	500 000
--------------------------------------	---------	---------

Conditions still to be met - remain liabilities (see note 16 - Unspent conditional grants and receipts).

The condition of the grant is to foster cultural activities in the local community.

Library Grant

Balance unspent at beginning of year	287 471	809 033
Current-year receipts	789 000	700 000
Conditions met - transferred to revenue	(598 391)	(1 221 562)
	478 080	287 471

Conditions still to be met - remain liabilities (see note 16).

To transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives.

26. Public contributions and donations

Public contributions and donations	17 998 276	-
------------------------------------	------------	---

27. Fines, penalties and forfeits

Municipal Traffic Fines	692 036	813 803
-------------------------	---------	---------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Employee related costs		
Basic	67 482 953	67 732 335
Bonus	5 229 657	4 781 956
Medical aid	5 736 243	5 229 406
UIF	404 712	404 392
SDL	1 317 107	903 664
Leave pay provision charge	2 711 340	2 417 007
Travel, motor car, accommodation, subsistence and other allowances	13 131 245	12 291 131
Overtime payments	471 300	2 641 917
Long-service awards	-	(235 000)
Housing benefits and allowances	678 245	315 539
Long service - service costs	364 000	365 000
Long service - interest costs	495 000	344 000
Cellular and telephone allowance	1 039 714	1 039 031
Pension contribution costs	12 350 348	11 065 892
	111 411 864	109 296 270
Remuneration of Accounting Officer		
Basic salary	887 719	752 483
Back pay	59 913	44 748
Acting allowance	-	75 815
Travel and cellphone allowance	315 956	270 690
Travel and subsistence	7 532	40 864
	1 271 120	1 184 600
Remuneration of Chief Financial Officer		
Basic salary	598 594	526 417
Back pay	30 229	32 172
Acting allowance	44 885	39 364
Housing allowance	25 069	18 083
Travel and cellphone allowance	186 400	184 435
Travel and subsistence	20 157	30 245
Gratuity	-	43 210
Leave payment	84 961	-
	990 295	873 926
Remuneration of director: Technical services		
Basic salary	511 806	487 996
Back pay	51 014	32 172
Acting allowance	-	43 217
Leave payment	133 935	-
Housing allowance	42 200	48 000
Travel and cellphone allowance	204 097	192 843
Other	-	14 404
	943 052	818 632
Remuneration of directors: Corporate and human resources		
Basic salary	630 506	550 715
Back pay	42 817	36 144
Acting allowance	76 812	-
Travel and cellphone allowance	229 214	201 196

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
28. Employee related costs (continued)		
Travel and subsistence	44 868	54 495
	1 024 217	842 550

Remuneration of director: Community development

Basic salary	346 686	386 068
Acting allowance	203 642	465 911
Back pay	2 252	-
Bonus	34 424	32 172
Leave payment	79 314	73 944
Travel and cellphone allowance	91 584	101 329
Travel and subsistence	18 558	50 412
	776 460	1 109 836

Remuneration of director: Local economic development

Basic salary	346 686	717 849
Back pay	2 252	43 084
Travel and cellphone allowance	91 584	258 995
Travel and subsistence	19 904	47 063
Bonus	34 424	-
Leave payment	67 747	-
	562 597	1 066 991

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand					2019	2018
29. Remuneration of councillors						
Mayor					872 146	840 313
Speaker					706 602	681 131
Single Whip					668 630	641 336
MPAC Chairperson					662 831	632 437
Exco Members					3 212 572	3 206 680
Councillors					13 214 661	12 808 526
					19 337 442	18 810 423
2019 - Mayor						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
MA Monaheng	530 075	206 937	44 400	90 734	872 146	
2019 - Speaker						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
TL Sekhaolela	424 065	165 550	44 400	72 587	706 602	
2019 - Single whip						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
KJ Molefe	397 561	158 619	44 400	68 050	668 630	
2019 - MPAC chairperson						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
MJ Kau	389 570	162 177	44 400	66 684	662 831	
Exco members						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
JM Makwela	397 561	8 587	44 400	68 050	518 598	
BM Mangema	397 561	156 203	44 400	99 418	697 582	
NK Mleta	397 561	155 953	44 400	68 050	665 964	
LA Motsepe	397 561	155 203	44 400	68 050	665 214	
BD Sephelle	397 561	155 203	44 400	68 050	665 214	
	1 987 805	631 149	222 000	371 618	3 212 572	
2019 - Councillors						
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total	
GM Makhathulela	167 753	67 888	44 400	57 544	337 585	
LK Mokadi	167 753	65 488	44 400	28 714	306 355	
ME Mosipa	167 753	67 088	44 400	28 714	307 955	
KO Moraka	167 753	65 488	44 400	28 714	306 355	
MA Ramadi	167 753	67 888	44 400	28 714	308 755	
BW Baloyi	167 753	65 488	41 716	28 714	303 671	
S Mathatho	167 753	67 888	44 400	28 714	308 755	
PS Letlhabi	167 753	65 488	44 400	28 714	306 355	
J Makhubela	167 753	65 488	44 400	28 714	306 355	
TT Ngobeni	167 753	67 888	44 400	28 714	308 755	
LM Letebele	167 753	65 488	44 400	28 714	306 355	
K Maluleka	167 753	65 488	44 400	28 714	306 355	
NR Tseke	167 753	65 488	44 400	28 714	306 355	
ZS Raletjena	167 753	65 488	44 400	28 714	306 355	
MC Moatshe	167 753	65 488	44 400	28 714	306 355	
D Sono	167 753	65 488	44 400	28 714	306 355	
MJ Moseithe	167 753	65 488	44 400	28 714	306 355	
PM Gwebu	167 753	65 488	44 400	28 714	306 355	
JM Mohomana	167 753	65 488	44 400	28 714	306 355	

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
29. Remuneration of councillors (continued)					
MG Molefe	167 753	65 488	44 400	28 714	306 355
MM Chauke	167 753	65 488	44 400	28 714	306 355
MG Madumo	167 753	65 488	44 400	28 714	306 355
S Nkwana	167 753	65 488	44 400	28 714	306 355
MA Mathe	167 753	65 488	44 400	28 714	306 355
MR Motsepe	167 753	65 488	44 400	28 714	306 355
SP Molomo	167 753	65 488	44 400	28 714	306 355
WM Ntseke	167 753	65 938	44 400	28 714	306 805
PP Mahlangu	167 753	65 488	44 400	28 714	306 355
SI Mokgara	167 753	65 488	44 400	28 714	306 355
RC Lekalakala	167 753	65 488	44 400	28 714	306 355
SJ Modisa	167 753	65 488	44 400	28 714	306 355
SR Magalefa	167 753	65 488	44 400	28 714	306 355
ET Mahlangu	167 753	65 488	44 400	28 714	306 355
CM Shai	167 753	65 488	44 400	28 714	306 355
RME Kutumela	167 753	66 388	44 400	28 714	307 255
EL Moselane	167 753	66 388	44 400	28 714	307 255
GM Modiba	167 753	65 938	44 400	28 714	306 805
W Mavundla	167 753	66 388	44 400	28 714	307 255
TE Hlongwane	167 753	65 488	44 400	28 714	306 355
MC Mphande	167 753	65 938	44 400	28 714	306 805
SA Kutumela	167 753	65 488	44 400	28 714	306 355
DBS Mbekwa	167 753	65 488	44 400	28 714	306 355
SL Moekeletsi	167 753	65 488	44 400	28 714	306 355
	7 213 379	2 831 234	1 906 516	1 263 532	13 214 661
2018 - Mayor					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MA Monaheng	509 883	198 978	44 400	87 052	840 313
2018 - Speaker					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
TL Sekhaolela	407 905	159 183	44 400	69 643	681 131
2018 - Single whip					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
KJ Molefe	382 412	149 234	44 400	65 290	641 336
2018 - MPAC chairperson					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
MJ Kau	375 070	149 234	44 400	63 633	632 337
2018 - Exco members					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
JM Makwela	382 412	149 234	44 400	65 290	641 336
BM Mangena	382 412	149 234	44 400	65 290	641 336
NK Mleta	382 412	149 234	44 400	65 290	641 336
LA Motsepe	382 412	149 234	44 400	65 290	641 336
BD Sephelle	382 412	149 234	44 400	65 290	641 336
	1 912 060	746 170	222 000	326 450	3 206 680
2018 - Councillors					
	Basic salary	Travel allowance	Cellphone allowance	Pension and Medical aid	Total
GM Makhathulela	161 509	64 296	44 400	27 401	297 606
LK Mokadi	161 509	64 296	44 400	27 401	297 606

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand				2019	2018
29. Remuneration of councillors (continued)					
ME Mosipa	161 509	64 296	44 400	27 401	297 606
KO Moraka	161 509	64 296	44 400	27 401	297 606
MA Ramadi	161 509	64 296	44 400	27 401	297 606
BW Baloyi	161 509	64 296	44 400	27 401	297 606
S Mathatho	161 509	64 296	44 400	27 401	297 606
PS Letlhabi	161 509	64 296	44 400	27 401	297 606
J Makhubela	161 509	64 296	44 400	27 401	297 606
EM Mabatle	7 817	2 222	1 429	-	11 468
TT Ngobeni	161 509	64 296	44 400	27 401	297 606
LM Letebele	161 509	64 296	44 400	27 401	297 606
K Maluleka	161 509	64 296	44 400	27 401	297 606
NR Tseke	161 509	64 296	44 400	27 401	297 606
ZS Raletjena	161 509	64 296	44 400	27 401	297 606
MC Moatshe	161 509	64 296	44 400	27 401	297 606
D Sono	161 509	64 296	44 400	27 401	297 606
MJ Mosetshe	161 509	64 296	44 400	27 401	297 606
PM Gwebu	161 509	64 296	44 400	27 401	297 606
JM Mohomana	161 509	64 296	44 400	27 401	297 606
MG Molefe	161 509	64 296	44 400	27 401	297 606
MM Chauke	161 509	64 296	44 400	27 401	297 606
MG Madumo	161 509	64 296	44 400	27 401	297 606
S Nkwana	161 509	64 296	44 400	27 401	297 606
MA Mathe	161 509	64 296	44 400	27 401	297 606
MR Motsepe	161 509	64 296	44 400	27 401	297 606
SP Molomo	161 509	64 296	44 400	27 401	297 606
WM Ntseke	161 509	64 296	44 400	27 401	297 606
PP Mahlangu	161 509	64 296	44 400	27 401	297 606
SI Mokgara	161 509	64 296	44 400	27 401	297 606
RC Lekalakala	161 509	64 296	44 400	27 401	297 606
SJ Modisa	161 509	64 296	44 400	27 401	297 606
SR Magalefa	161 509	64 296	44 400	27 401	297 606
ET Mahlangu	161 509	64 296	44 400	27 401	297 606
CM Shai	161 509	64 296	44 400	27 401	297 606
RME Kutume	161 509	64 296	44 400	27 401	297 606
EL Moselane	161 509	64 296	44 400	27 401	297 606
GM Modiba	161 509	64 296	44 400	27 401	297 606
W Mavundla	161 509	64 296	44 400	27 401	297 606
TE Hlongwane	161 509	64 296	44 400	27 401	297 606
MC Mphande	161 509	64 296	44 400	27 401	297 606
SA Kutumela	161 509	64 296	44 400	27 401	297 606
DBS Mbekwa	161 509	64 296	44 400	27 401	297 606
SL Moekeletsi	161 509	64 296	44 400	27 401	297 606
	7 114 213	2 831 246	1 955 029	1 205 644	13 106 132

30. Depreciation and amortisation

Property, plant and equipment	66 280 531	37 614 729
-------------------------------	------------	------------

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
31. Impairment of assets		
Impairments		
Property, plant and equipment	19 432 656	1 462 024
Investment	-	51 057 065
Impairment write off	40 658 357	-
Receivables from exchange revenue	14 334 266	53 872 491
Receivables from non-exchange revenue	4 779 729	7 090 055
	79 205 008	113 481 635
32. Finance costs		
Finance leases	2 772 612	4 520 730
Bank	-	17 882 789
	2 772 612	22 403 519
33. Bulk purchases		
Bulk purchases	47 735 752	21 194 627
Distribution losses		
Purchased during the year	5 628 920	2 571 195
Sold during the year	(730 388)	(1 123 999)
Unaccounted - Normal distribution losses - % water (2019- 50%) (2018 - 5%)	4 538 532	1 627 196
Kilo litres	2 610 355	132 435
Loss (R) : At cost	20 752 324	937 638
	-	-
<p>Water losses occur due to inter alia, leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters are illegal connections is an on-going process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported</p>		
34. Contracted services		
Presented previously		
Specialist Services	246 350	412 860
Outsourced services		
Business and Advisory	450 507	562 300
Catering Services	249 654	481 286
Hygiene Services	60 788 927	33 577 309
Security Services	19 671 881	16 648 226
Consultants and professional services		
Business and Advisory	38 363 227	30 557 792
Infrastructure and Planning	33 547	-
Laboratory Services	12 994 405	21 782 915
Legal Cost	3 423 815	4 399 690
Contractors		
Catering Services	30 280	-
Event Promoters	1 867 662	2 672 360
Maintenance of Buildings and Facilities	1 614 715	829 068
Maintenance of Unspecified Assets	19 798 972	31 000 803
	159 533 942	142 924 609

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
35. General expenses		
Advertising	201 547	240 651
Auditors remuneration	3 125 067	3 363 154
Bank charges	330 013	152 504
Consumables	6 215	19 180
Entertainment	594 768	546 888
Insurance	2 752 052	1 525 214
IT expenses	1 923	20 150
Fuel and oil	3 375 282	3 304 666
Postage and courier	2 005	480
Royalties and license fees	7 135 673	853 265
Subscriptions and membership fees	2 967 162	1 533 858
Telephone and fax	2 501 091	4 373 966
Travel - local	1 057 934	2 991 735
Utilities	6 117 127	4 133 015
Other expenses	12 850 455	47 593 826
	43 018 314	70 652 552
36. Auditors' remuneration		
Fees	3 125 067	3 363 154
37. Cash generated from operations		
Surplus	37 631 098	78 968 086
Adjustments for:		
Depreciation, amortisation and rehabilitation provision	67 198 937	39 871 029
(Gain)/loss on sale of assets and liabilities	10 042 783	2 361 238
Fair value adjustments	-	159 000
Finance costs - Finance leases	(7 457 939)	4 520 730
Interest income	11 854	-
Impairment loss	79 205 008	70 949 851
Movements in operating lease assets and accruals	(2 772 612)	(10 118)
Movements in Employee benefit obligations	1 088 000	1 494 000
Current services costs	495 001	-
Movement in leave and bonus accruals	2 625 237	-
Other non-cash items	1 785 125	-
Changes in working capital:		
Inventories	1 157 892	(822 863)
Receivables from exchange transactions	(54 464 197)	(25 740 631)
Receivables from non-exchange transactions	(3 403 522)	(4 863 846)
Payables from exchange transactions	-	81 661 790
VAT	(5 092 309)	31 421 459
Taxes and transfers payable (non-exchange)	53 084 073	-
Unspent conditional grants and receipts	(16 004 382)	(9 930 614)
Consumer deposits	(18 813 884)	-
	146 316 163	270 039 111
38. Financial instruments disclosure		
Categories of financial instruments		
2019		
Financial assets		

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

38. Financial instruments disclosure (continued)

	At amortised cost	Total
Cash and cash equivalents	41 292 809	41 292 809
Receivables from exchange transactions	40 925 825	40 925 825
Receivables from non-exchange transactions	14 968 074	14 968 074
	97 186 708	97 186 708

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	145 655 914	145 655 914

2018

Financial assets

	At amortised cost	Total
Cash and cash equivalents	13 886 830	13 886 830
Receivables from exchange transactions	1 676 744	1 676 744
Receivables from non-exchange transactions	15 474 163	15 474 163
	31 037 737	31 037 737

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	98 235 885	98 235 885

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
39. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Approved and contracted for	40 631 282	86 508 283
Total capital commitments		
Already contracted for but not provided for	40 631 282	86 508 283
Authorised operational expenditure		
Already contracted for but not provided for		
• Approved and contracted for	82 748 276	79 961 971
Total operational commitments		
Already contracted for but not provided for	82 748 276	79 961 971
Total commitments		
Total commitments		
Authorised capital expenditure	40 631 282	86 508 283
Authorised operational expenditure	82 748 276	79 961 971
	123 379 558	166 470 254

This committed expenditure relates to property and will be financed by available bank facilities, accumulated surpluses, existing cash resources and funds internally generated.

Operating leases - as lessor (income)

Minimum lease payments due		
- within one year	46 553	40 161
- in second to fifth year inclusive	46 168	-
	92 721	40 161

Certain of the municipality's equipment is held to generate rental income. Rental of equipment is expected to generate rental yields of -% on an ongoing basis. Lease agreements are non-cancellable and have terms from 3 to 6 years. There are no contingent rents receivable.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

40. Contingencies

The table below sets out the contingent liabilities at year end with the maximum potential liability to the municipality:

Contingent liability		
CHACHAOKA MANAGEMENT PROJECT- Civil Matter(Against) - Matter still pending in Court	6 450 000	6 450 000
SEPOLWANE & OTHERS- Civil matter (Against) - Matter still pending in Court	300 000	300 000
BATHINI SECURITY SERVICES- Civil Matter (Against) - Matter still pending in Court	421 061	421 061
TIRMAC- Civil Matter(Against) - Matter still pending in Court	792 764	792 764
KHOZA M- Civil matter (Against) - Matter still pending in Court	10 000 000	10 000 000
Rehabilitation of landfill site, A possible obligation exists for the rehabilitation of the landfill site at Bosplass. Pending	24 802 305	24 802 305
OKOSI PROJECTS - Civil Matter (Against) - Matter still pending in Court	6 404 051	6 404 051
Thomo Mphela Projects t/a KAGO consulting engineers - Pending	8 000 000	-
	57 170 181	49 170 181

Contingent assets

Contingent asset		
SIZWE AUCTIONS / MLM, Claim for damages against Sizwe Auctions, Pending at Pretoria High Court.	960 936	960 936

41. Related parties

Relationships	
Accounting officer	Refer to note 28
Key management - members and remuneration	Refer to note 28
Councillors	Refer to note 28
Councillor arrear balances	Refer to note 28

42. Comparative figures

Certain comparative figures have been restated, refer to note 43 - Prior-year adjustments for the detail.

43. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Statement of financial position

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Cash and cash equivalents		18 300 762	(55 434)	(686 457)	17 558 871
Receivables from exchange transactions		31 745 151	(30 068 407)	-	1 676 744
Receivables from non-exchange transactions		21 455 782	(6 668 076)	686 457	15 474 163
Inventories		1 427 269	-	-	1 427 269
Operating lease asset		13 622	-	-	13 622
Investment property		5 717 000	-	-	5 717 000
Property, plant and equipment	1 073 342 118	21 322 749	-	-	1 094 664 867
Intangible assets		10 965 047	497 076	-	11 462 123
VAT payable		(6 107 864)	(1 872 927)	-	(7 980 791)
Finance lease obligation - short term		(43 569 293)	(518 261)	-	(44 087 554)
Payables from exchange transactions		(152 705 508)	5 664 007	-	(147 041 501)
Unspent conditional grants and receipt		(18 438 044)	-	-	(18 438 044)
Employee benefit obligation - short term		(109 000)	-	-	(109 000)
Bank overdraft		(3 672 041)	-	-	(3 672 041)
Provision on landfill site		-	(15 695 038)	-	(15 695 038)
Employee benefit obligation - long term		(4 748 000)	-	-	(4 748 000)
Accumulated surplus		(933 617 001)	27 394 311	-	(906 222 690)
		-	-	-	-

Statement of financial performance

2018

	Note	As previously reported	Correction of error	Re-classification	Restated
Sales of goods and services		-	-	-	-
Sale of goods		-	-	(606 093)	(606 093)
Rendering of services		-	-	(12 036)	(12 036)
Service charges	(47 836 578)	-	-	-	(47 836 578)
Rental of facilities and equipment	(94 345)	-	-	(68 531)	(162 876)
Interest received	(17 669 104)	(173 814)	-	-	(17 842 918)
Operating income	(1 680 170)	-	-	1 500 462	(179 708)
Property rates	(45 248 696)	-	-	-	(45 248 696)
Government grants and subsidies	(494 697 615)	-	-	-	(494 697 615)
Fines	-	-	-	(813 803)	(813 803)
Employee related cost	105 134 963	2 314 245	-	1 847 063	109 296 271
Remuneration for councillors	18 810 430	-	-	-	18 810 430
Repairs and maintenance	32 225 144	-	-	(32 225 144)	-
Depreciation and amortisation	63 322 052	(10 012 285)	-	-	53 309 767
Impairment loss/ Reversal of impairments	106 852 344	6 629 291	-	-	113 481 635
Finance cost	22 403 519	-	-	-	22 403 519
Bulk purchases	20 643 015	551 612	-	-	21 194 627
Contracted services	63 973 023	421 808	78 529 778	-	142 924 609
Actuarial (gains)/losses	1 020 000	-	-	-	1 020 000
Loss on non-current assets held for sale or disposal groups	1 518 799	842 439	-	-	2 361 238
Operating expenses	103 271 868	608 847	(48 923 198)	-	54 957 517
Consumables	-	-	-	771 502	771 502
Surplus for the year		(68 051 351)	1 182 143	-	(66 869 208)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Cash flow statement

2018

	Note	As previously reported	Restated
Cash flows from operating activities			
Sale of goods and services		34 834 577	37 352 235
Grants		484 767 001	459 026 370
Interest income		17 669 104	17 669 104
Employee costs		(123 023 121)	(127 632 700)
Suppliers		(175 193 313)	(144 920 646)
Finance costs		(4 520 730)	(17 708 976)
Taxation	1	1	45 097 340
Other receipts		1	1 156 385
		234 533 520	270 039 112
Cash flows from investing activities			
Purchase of property, plant and equipment		(145 013 104)	(139 567 115)
Proceeds from sale of property, plant and equipment		(55 835)	(3 826 950)
Purchase of intangible assets		1	(745 614)
Movement in investments		1	(51 057 065)
		(145 068 937)	(195 196 744)
Cash flows from financing activities			
Repayment of other financial liability		(72 800 000)	(72 800 000)
Finance lease payments		(66 333 257)	(52 452 937)
		(139 133 257)	(125 252 937)

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Detail of prior year errors

All reclassifications noted above are due to adjustments made to comply with mSCOA.

The following prior period errors adjustments occurred .

Leave provision

Accumulated surplus (opening balance adjustment)	-	(4 220 737)
Leave provision	-	4 220 737
	-	-

Section 28 of NEMA (National Environmental Management Act) requires every person who causes, has caused or may cause significant pollution or degradation of the environment to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring. Moretele had a dumping site in Mmotla however no provision had been made for the rehabilitation of that site. An adjustment has been made to account for the provision.

Leave provision

Employee costs	-	2 301 779
Leave provision	-	(2 301 779)
	-	-

The adjustment was due to the leave provision being incorrectly calculated in the previous periods. The calculations have now been aligned with the policy

Petty cash

Salary suspense control account	-	23 668
Petty cash	-	(23 668)
	-	-

Refunds for the petty cash not utilized were not updated in the petty cash register. The adjustment done is to record the refund received by Moretele.

Petty cash

Salary suspense control account	-	31 766
Petty cash	-	(31 766)
	-	-

Refunds for the petty cash not utilized were not updated in the petty cash register. The adjustment done is to record the refund received by Moretele.

VAT

General Expenses	-	2 561 781
VAT input	-	(1 872 927)
Lease liability	-	(688 854)
	-	-

Reclassification of expenses incorrectly recorded in the VAT control account.

Debtors impairment

Debt impairment	-	30 432 906
Provision for debt impairment	-	(30 432 906)
	-	-

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

The debt impairment was not calculated in accordance with GRAP 104. The policy was aligned to GRAP 104 leading to the prior year adjustment.

Provision of landfill site

Provision for Landfill Site Expenditure	-	15 695 038
Provision for Landfill site :Non current Liabiliti	-	(15 695 038)

Section 28 of NEMA (National Environmental Management Act) requires every person who causes, has caused or may cause significant pollution or degradation of the environment to take reasonable measures to prevent such pollution or degradation from occurring, continuing or recurring. Moretele had a dumping site in Mmotla however no provision had been made for the rehabilitation of that site. An adjustment has been made to account for the provision.

Debtors impairment

Debt impairment	-	6 303 577
Provision for debt impairment	-	(6 303 577)

The debt impairment was not calculated in accordance with GRAP 104. The policy was aligned to GRAP 104 leading to the prior year adjustment.

Property, plant and equipment

Depreciation Account	-	(25 381 609)
Intangible Assets	-	497 076
Interest Account	-	(173 814)
Property, plant and equipment	-	21 322 751
General expenditure	-	(745 614)
Finance Lease	-	173 814
Contracted expense	-	842 439
Financial performance line item	-	23 798
Payable and Accruals	-	3 686 392
Other expenditure	-	(245 233)

The following are the reasons for prior year misstatements:

Movables Assets

In the Prior Year the Disposal of Movables Assets was not remove from the Asset Register or correctly account for in the Financials.

Buildings

During the annual verification it was identified that the Lebotlwane Library was not in the Asset Register. We correct the Register by restate the Prior Year.

Infrastructure

We correct the the Prior Year Audit finding regarding the Verification of Infrastructure.

During the current financial year, information about completion dates of capital projects became available that indicate that projects should have been Transferred out of WIP in the prior year.

Capital Work in Progress

During the current financial year, invoices became available that should have been capitalised in the prior year.

Other improvements

Through a purification process, improvements in recorded keeping and recording resulted in more accurate presentation of the financial state of the municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

43. Prior-year adjustments (continued)

Commitments

Capital commitments	-	160 630 452
Correction of error	-	(72 122 169)
	-	88 508 283

Operating commitments	-	80 534 828
Correction of error	-	(572 857)
	-	79 961 971

Commitments adjustments for 2017/18

Irregular expenditure

Balance as previously stated	-	906 046 225
Correction of error	-	123 863 508
	-	1 029 909 733

Adjustment to the opening balance is due to the revisitation of the 2017/2018 general ledger to identify additional Irregular expenditure with focus on amounts from R2,001 to R10,000, R10,001 to R30,000, R30,001 to R200,000 and R200,001 above.

44. Risk management

Financial risk management

The municipality'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.

Liquidity risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its Financial Liabilities that are settled by delivering cash or another financial asset. The municipality's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the municipality's reputation

Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cashflow requirements are met.

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

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

44. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

44. Risk management (continued)

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy. The municipality uses its own trading record to assess its major customers. The municipality's exposure of its counterparties are monitored regularly.

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

Investments/Bank, Cash and Cash Equivalents

Refer to <http://www.fidfund.co.za/banking-options/bank-credit-ratings/> for the most updated ratings.

The municipality limits its counterparty exposures from its short-term investments (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions short term credit rating of BBB and long-term credit rating of AA- and higher at an international accredited credit rating agency. The municipality's exposure is continuously monitored and the aggregate value of transactions concluded in spread amongst different types of approved investments and institutions, in accordance with its investment policy. In spite of the measures applied to mitigate investment risks the municipality has been significantly exposed for the 2017/18 financial year after investing in a mutual bank. The municipality has reviewed its investment policy in the aim of improving its internal controls.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the Chief Financial Officer and authorised by the Council.

The municipality limits its counterparty exposures from its money market investment operations (financial assets that are neither past due nor impaired) by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made.

Trade and other receivables

Trade and other receivables are amounts owed by consumers and are presented net of impairment losses. The municipality has a credit risk policy in place and the exposure to credit risk is monitored on an on-going basis. The municipality is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services without recourse to an assessment of creditworthiness. Subsequently, the municipality has no control over the approval of new customers who acquire properties in the designated municipal area and consequently incur debt for rates, water services rendered to them.

Trade receivables consist of a large number of customers. Periodic credit evaluation is performed on the financial condition of accounts receivable. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts becomes in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implement its credit control policy as there is no hand over of debtors.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained.

The municipality establishes an allowance for impairment that represents its estimate of anticipated losses in respect of trade and other receivables.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

44. Risk management (continued)

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

Financial instrument	2019	2018
Receivables from exchange transaction	40 925 825	1 676 744
Receivables from non-exchange transactions	14 968 074	15 474 163
Cash and cash equivalents	40 541 440	13 886 830

Market risk

Interest rate risk

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

Financial assets and liabilities that are sensitive to interest risk are cash and cash equivalent, investments, and loan payables. The municipality will be exposed to interest rate risk on these financial instruments as the rates applicable are fixed interest rate.

Potential concentration of interest rate risk consists mainly of variable rate deposit investments, long-term receivables, other debtors, bank and cash balances.

The municipality diversifies its money market investment operations by only dealing with ABSA Bank, First National Bank, Nedbank and Standard Bank. No investments with a tenure exceeding 12 months are made. In the 2017/18 financial year the municipality had invested with a bank registered under the mutual bank act, which is contrary to investment regulation of 2005.

Receivables comprise a widespread customer base. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "demand for payment" "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. At this stage, the municipality only partially implements its credit control policy as there is no hand over of debtors.

Long-term receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable. Debtors write off has been approved by council for write off in the 2018/19 financial year.

The municipality is not exposed to interest rate risk arising from equity investments as the municipality does not trade these investments.

Price risk

The municipality is not exposed to equity price risks arising from equity investments as the municipality does not trade these investments.

45. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Municipality's operations are substantially budget-funded by government and at the time of concluding the financial statements, the government had not announced any intention to cease funding the Municipality.

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand 2019 2018

46. Events after the reporting date

Thomo Mphela Projects t/a KAGO consultanting engineers

On the 13 August 2019 the municipality was issued notice in terms of section 3 of the institution of legal proceedings by Thomo Mphela Projects t/a KAGO consulting engineers for a claim of services rendered and not paid for.

The estimated financial effect is a payment of R8 000 000.

47. Unauthorised expenditure

Opening balance as previously reported	441 958 339	309 878 891
Opening balance as restated	441 958 339	309 878 891
Add: Unauthorised Expenditure - current year	80 315 558	132 079 448
Closing balance	522 273 897	441 958 339

No action taken

48. Fruitless and wasteful expenditure

Opening balance as previously reported	14 195 129	6 775 949
Opening balance as restated	14 195 129	6 775 949
Add: Fruitless and wasteful expenditure - current year	68 804	7 419 180
Closing balance	14 263 933	14 195 129

Expenditure identified in the current year include those listed below:

Disciplinary steps taken/criminal proceedings

Interest charged by Eskom
SARS interest and penalties
Interest charged by Telkom
Interest charged by DBSA
Interest overcharged by a supplier (IT Towers)
Training for councillors
Cost of license over 3 years (Could not be verified or confirm to be in use)
Interest charged on overdue account

49. Irregular expenditure

Opening balance as previously reported	906 046 224	739 974 897
Correction of prior period error	123 863 508	-
Opening balance as restated	1 029 909 732	739 974 897
Add: Irregular Expenditure incurred in current year	49 899 051	45 392 363
Add: Irregular Expenditure incurred in the prior year but identified in current year	143 051 086	120 678 965
Closing balance	1 222 859 869	906 046 225

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

	2019	2018
49. Irregular expenditure (continued)		
No CIDB and the amount on the tender document	-	163 377
Only 3 members of bid evaluation attended	-	762 418
No BAC reports	-	8 744 917
No VAT adjustment	-	(23 156 613)
	-	316 813 647

Details of irregular expenditure - Prior year

	Disciplinary steps taken/criminal proceedings	Amount
The contracts do not have the start and end date or duration of the contract, The contracts are not signed by both parties, i.e. the municipality and supplier, The bid documents of unsuccessful bidders were not submitted	Consequence management not followed	757 650
The Municipal Supply Chain Management Regulation (MSCM) of 2005 paragraph 44 (c) states that "the supply chain management policy of a municipality must, irrespective of the procurement process followed, state that the municipality may not make any award to any person who is an advisor or consultant contracted with the municipality or municipal entity" The main shareholder and active director of Mosire Tsiane Attorneys is also a director of Alumni Trading 212 (Pty) Ltd and He's a Legal consultant of the Municipality through Mosire Tsiane Attorneys. This is thus contravening the MSCM regulation	Consequence management not followed	1 254 167
The bid documents of unsuccessful bidders were not submitted, Not advertised, Bid specifications not drafted	Consequence management not followed	6 812 279
The bid documents of unsuccessful bidders were not submitted, Limitation of scope, Non monitoring of the contract on a monthly basis	Consequence management not followed	1 311 921
The bid documents of unsuccessful bidders were not submitted, Limitation of scope, Non monitoring of the contract on a monthly basis	Consequence management not followed	27 380 111
The patterns of purchase of the following goods and services indicated that orders were split to avoid following prescribed procurement processes	Consequence management not followed	2 228 500
The provider with the lowest price was not selected and it was not because of the predetermined criteria	Consequence management not followed	594 565

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)
Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019 2018

<p>49. Irregular expenditure (continued) Training quotation awarded to non-accredited training institution</p> <p>CIDB Grading below the required grade</p> <p>Non-Tax compliant</p> <p>No contract value on the contract or estimate total value of the contract.</p> <p>Not advertised</p> <p>Declaration of interest not completed</p> <p>BBB-EE Certificate not certified and points were awarded with accordance to the level. Tender opening register not available</p> <p>1. Advertisement published for less than 30 days which is in contravention of SCM reg. 22(1)(b)(i). The bid specification meeting was held on 12 August 2014, the advert was then issued on 19 August 2014 and closing on 1 September 2014 which means tender was advertised for 14 days however it exceeds 10million and therefore should have been advertised for 30 days.2. The evaluation criteria also only indicates the weighting and no point values which is in contravention section 217 of the constitution and section 112(1) of the MFMA as the evaluation process may have been unfair.</p> <p>1. Advertisement was issued on 19 August 2015 and closing date as 01 September 2014 which means tender was advertised for 14 days . Considering contract amount the tender should have been advertised for 30 days and therefore in contravention of SCM reg. 22(1)(b)(i) .</p> <p>Signatures and declaration of interest</p> <p>BBB-EE certificate not certified and points were awarded with accordance to the level.</p>	<p>Consequence management not followed 393 000</p> <p>Consequence management not followed 195 500</p> <p>Consequence management not followed 11 115 343</p> <p>Consequence management not followed 58 887 622</p> <p>Consequence management not followed 804 405</p> <p>Consequence management not followed 4 464 671</p> <p>Consequence management not followed 2 184 429</p> <p>Consequence management not followed 12 569 684</p> <p>Consequence management not followed 23 680 871</p> <p>Consequence management not followed 7 624 638</p> <p>Consequence management not followed 2 461 910</p>
--	--

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
50. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Pension and medical aid deductions		
Current year subscription / fee	8 499 691	25 145 106
Amount paid - current year	(8 499 691)	(25 145 106)
	-	-

VAT

VAT payable	2 888 482	7 980 791
-------------	-----------	-----------

VAT output payables and VAT input receivables are shown in note 14.

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

Councillors' arrear consumer accounts

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

30 June 2019	Outstanding less than 90 days	Outstanding more than 90 days	Total
Modiba GM	200	779	979
Mbekwa DBS	198	153	351
Mahlangu PP	212	-	212
Moatshe MC	199	4	203
Motsepe MR	199	4	203
Sono D	199	4	203
Sekhaolela TL	199	4	203
Baloyi BW	199	4	203
Mokadi LK	199	4	203
Letlhabi PS	199	4	203
Mahlangu ET	199	4	203
Maluleka K	199	4	203
Ntseke WM	199	4	203
Letebele LM	199	4	203
Sephelle BD	199	4	203
Ramadi MA	199	4	203
Mokgara SI	199	4	203
Makhathulela GM	199	4	203
Mathatho S	199	3	202
Kutumela SA	198	2	200
	3 992	997	4 989

30 June 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr SI Moekeletsi	978	-	978

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

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

51. 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 Council meeting and includes a note to the annual financial statements.

The reasons for deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviations from the normal supply chain management regulations.

Incident

Emergency	-	756 154
Sole supplier	-	1 000 835
Impractical or impossible	-	61 689
	-	1 818 678

52. Budget differences

Material differences between budget and actual amounts

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

Notes to the Annual Financial Statements

Figures in Rand

2019

2018

52. Budget differences (continued)

It is general practise to deem a 10% deviation on operational revenue and expenditure versus the final budget as material.

Service charges - Billing accruing from re-demarcated area where services charges have been effected and have increased the income

Rendering of services - Reclassification from mscoa, there was no specified line item but relate to sundry services

Rental of facilities - Over collection of rental income from municipality tenants (GCIS)

Sale of goods - Overcollection from sale of tenders/ approval of building plans, these type of income can not be predetermined as it is demand based.

Operational income - Insurance payout following the torching of the municipality building in September 2018.

Interest received from investments - The line item was overbudget investment made during the year where less than what was initially project during buget period.

Governement grants - Funds relating to munipality infrastructure grants being a conditional grant were withheld from municipality and deducted against equitable share.

Public contribution - A community hall was constructed and transfered to municipality by provincial department of local government.

Penalties and fines - The municipality implement the prov of the MFMA resulting in increase persive collection of eNatis collections

Employee cost - As part of fin recovery plan the muni staggered the filling of none essential resulting the a saving on this costs.

Depreciation and Amortisation - Expected more asset to be capitalised from WIP. The depre projected factored in new asset from 201718 finanail year which also included sanitation procted which are expenses and not provided for in depreciation

Finance Cost - Misallocation between interest income and finance cost

Bulk purchases - The supplier of bulk water has increase supply to municipality against preexisiting agreement. The account is current under disput. The expenditure is unavoidable due to it attached to the basic right enshrined in the constitution.

Repairs and maintance, general expenditure, contracted expenditure, other expenditure and other material - The mSCOA compliant bugdet was prepaped on the older version of the system during the year. Municipality authorised further software updated in line with national treasury requirement. This has resulted in the movement, bundling and unbundle of varios expenditure type amoungs the five mention expenditure. The overall budget allocation for the items remains with the approved muni budget

MORETELE LOCAL MUNICIPALITY

(Registration number M30062)

Annual Financial Statements for the year ended 30 June 2019

* See Note