



**Sedibeng District Municipality
Annual Financial statements
for the year ended 30 June, 2019**

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

General Information

Nature of business and principal activities	District Municipality – DC42
Capacity of Municipality	Medium capacity municipality
Accounting Officer	Mr. S. Khanyile
Chief Financial Officer	Mr. J Kasvosve
Registered office	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Business address	Municipal Offices Civic Centre Cnr. Beaconsfield & Leslie street Vereeniging 1930
Postal address	PO Box 471 Vereeniging 1930
Bankers	Nedbank (Primary Account) Standard Bank (previous primary banker)
Auditors	Auditor-General of South Africa
Executive Mayor	Councillor BJ Modisakeng
Speaker	Councillor AC Mosai
Chief Whip	Councillor SA Mshudulu
Members of Mayoral Committee	Councillor PB Tsotetsi Councillor MD Raikane Councillor TS Maphalla Councillor LSA Gamede Councillor NG Hlongwane Councillor ML Khomoeasera Councillor YJ Mahommed Councillor JM Dlangamandla

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Index

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

Index	Page
Accounting Officer's Responsibilities and Approval	3
Accounting Officer's Report	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 11
Appropriation Statement	12 – 13
Accounting Policies	14 - 26
Notes to the Financial Statements	27 - 50

Abbreviations

DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MMC	Member of the Mayoral Committee
MFMA Act	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
GAMAP	Generally Accepted Municipal Accounting Practice
PPE	Property Plant and Equipment
SCM	Supply Chain Management

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the 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 financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

Although the Accounting Officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's internal auditors.

Every effort has been made to implement the austerity measures which has resulted in restriction of expenditure in certain areas in the financial statements.

We realized that it cannot be business as usual, the District Municipality will have to reduce the list of operations especially the employee cost.

The financial statements set out on pages 4 to 50, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August, 2019 and were signed on its behalf by:



Mr. S. Khanyile
Municipal Manager

Sedibeng District Municipality

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. Incorporation

The municipality was incorporated on 1 January 1988 and obtained its certificate to commence business on the same day.

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had accumulated deficit of R 114,572,592 [65,938,593 in 2018] and that the municipality's total liabilities exceed its assets by R 114,572,592.

The ability of the municipality to continue as a going concern is dependent on a number of factors. 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 financial statements have been prepared on the basis of accounting policies applicable to a going concern and in line with South African Statements of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. 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. Accounting policies

The annual financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

4. Accounting Officer

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

Name	Nationality
Mr Stanley Khanyile	RSA

5. Bankers

Nedbank Ltd is the appointed Municipality's banker while Standard Bank was the previous primary banker.

6. Auditors

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

Sedibeng District Municipality
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 as restated
Assets			
Current Assets			
Inventories	5	503,782	157,811
Receivables from exchange transactions	6	6,828,904	4,355,284
VAT receivable	7	127,318	340,408
Cash and cash equivalents	8	21,504,302	16,828,172
		28,964,306	21,681,675
Non-Current Assets			
Property, plant and equipment	2	104,197,589	116,840,524
Intangible assets	3	3,734,337	3,339,049
Heritage assets	4	4,894,941	4,894,941
		112,826,867	125,074,514
Total Assets		141,791,173	146,756,189
Liabilities			
Current Liabilities			
Unspent conditional grants and receipts	9	12,526,313	15,274,264
Payables from exchange transactions	10	243,837,452	197,420,519
Total Current Liabilities		256,363,765	212,694,783
Total Liabilities		256,363,765	212,694,783
Net Assets		(114,572,592)	(65,938,593)
Net Assets			
Accumulated (deficit) /surplus		(114,572,592)	(65,938,593)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Statement of Financial Performance

Figures in Rand

	Note(s)	2019	2018 as restated
Revenue			
Revenue from exchange transactions			
Sale of goods		4,134,504	3,534,163
Rental of facilities and equipment	12	723,618	570,958
Agency services	13	76,390,440	71,182,541
Other income	15	3,086,087	986,341
Interest received - investment	18	2,944,162	2,835,809
Commission received	15	6,174,438	6,810,435
Gain on disposal of assets and liabilities		3,147	13,857
Total revenue from exchange transactions		93,456,396	85,934,104
Revenue from non-exchange transactions			
Non-exchange revenue			
Recoveries	17	-	489,076
Licenses and permits	14	125,000	2,255,000
Government grants & subsidies	20	277,892,099	269,415,374
Total revenue from non- exchange transactions		278,017,099	272,159,450
Total revenue	11	371,473,495	358,093,554
Expenditure			
Employee related costs	21	(264,063,505)	(255,310,057)
Remuneration of councillors	22	(13,347,978)	(12,826,039)
Depreciation and amortisation	23	(15,714,687)	(14,941,240)
Impairment loss		-	(12,279,296)
Lease rentals on operating lease	24	(8,090,125)	(7,954,734)
Debt Impairment	25	(8,777,064)	(44,584,162)
Contracted services	26	(58,519,037)	(54,159,082)
Transfers and Subsidies	19	(9,461,526)	(10,238,715)
Inventory losses/ write-downs		(101,599)	-
Sale of goods/Inventory	28	(3,619,250)	(3,373,952)
General Expenses	27	(38,412,722)	(36,360,699)
Total expenditure		(420,107,493)	(452,027,976)
Operating surplus / (deficit) for the year		(48,633,998)	(93,934,422)

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019

Statement of Changes in Net Assets

Figures in Rand	Note	Accumulated surplus	Total net assets
Opening balance as previously reported		16,423,373	16,423,373
Correction of error on noncurrent assets	34.1	15,470,164	15,470,164
Correction of errors	34.1	(4,329,769)	(4,329,769)
Balance at 1 July, 2017 as restated*		27,563,768	27,563,768
Changes in net assets			
Surplus (Deficit) for the year		(92,579,641)	(92,579,641)
Revalued on Heritage assets		432,061	432,061
Total recognised income and expenses for the year		(92,147,580)	(92,147,580)
Opening balance as previously reported		(57,415,540)	(57,415,540)
Correction of error on noncurrent assets	34.1	14,115,378	14,115,378
Correction of errors	34.1	(22,638,438)	(22,638,438)
Balance at 1 July, 2018 as restated*		(65,938,600)	(65,938,600)
Changes in net assets			
Surplus (Deficit) for the year		(48,633,998)	(48,633,998)
Total recognised income and expenses for the year		(48,633,998)	(48,633,998)
Balance at 30 June, 2019		(114,572,592)	(114,572,592)

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019

Cash Flow Statement

Figures in Rand

	Note(s)	2019	2018 as restated
Cash flows from operating activities			
Receipts			
Grants & subsidies		275,700,609	271,806,985
Interest income		2,944,162	2,835,809
Other receipts		13,810,499	18,193,631
License Receipts		282,365,920	246,458,670
		574,821,190	539,295,095
Payments			
Employee costs		(275,369,136)	(268,036,696)
Suppliers		(115,493,422)	(113,334,011)
Licensing Authority		(175,818,609)	(159,931,866)
		(566,681,167)	(541,302,573)
Net cash flows from operating activities	30	8,140,023	(2,007,478)
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(1,529,507)	(2,808,538)
Proceeds from sale of property, plant and equipment		66,041	87,741
Purchase of other intangible assets	3	(2,000,425)	(317,424)
Net cash flows from investing activities		(3,463,891)	(3,038,221)
Net increase/(decrease) in cash and cash equivalents		4,676,132	(5,045,699)
Cash and cash equivalents at the beginning of the year		18,828,172	21,873,871
Cash and cash equivalents at the end of the year	8	21,504,304	16,828,172

Sedibeng District Municipality
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
Figures in Rand					
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Sale of goods	3,600,000	-	3,600,000	4,134,504	534,504
Rental of facilities and equipment	720,542	15,115	735,657	723,618	(12,039)
Agency services	83,198,712	-	83,198,712	76,390,440	(6,808,272)
Commissions received	7,145,863	-	7,145,863	6,174,438	(971,425)
Other income - (rollup)	740,193	48,671	788,864	3,086,087	2,297,223
Interest received - investment	1,680,000	220,000	1,900,000	2,944,162	1,044,162
Total revenue from exchange transactions	97,085,310	283,786	97,369,096	93,453,249	(3,915,847)
Revenue from non-exchange transactions					
Recoveries	-	-	-	-	-
Licenses and permits	1,500,000	-	1,500,000	125,000	(1,375,000)
Government grants & subsidies	277,241,000	1,472,386	278,713,386	277,892,099	(821,287)
Total revenue from non-exchange transactions	278,741,000	1,472,386	280,213,386	278,017,099	(2,196,287)
Total revenue	375,826,310	1,756,172	377,582,482	371,470,348	(6,112,134)
Expenditure					
Personnel	(256,666,565)	(7,623,296)	(260,289,861)	(264,063,505)	(3,773,644)
Remuneration of councillors	(13,862,651)	736,351	(13,126,300)	(13,347,978)	(221,678)
Depreciation and amortisation	(12,099,180)	479,077	(11,620,103)	(15,714,687)	(4,094,584)
Impairment loss	-	-	-	(8,777,064)	(8,777,064)
Lease rentals on operating lease	(8,032,862)	(140,981)	(8,173,843)	(8,090,125)	83,718
Contracted Services	(52,069,783)	(7,859,213)	(59,928,996)	(58,519,037)	1,409,959
Debt impairment	-	-	-	-	-
Transfers and Subsidies	(9,288,000)	-	(9,288,000)	(9,461,526)	(173,526)
Sale of goods/Inventory	(2,914,269)	-	(2,914,269)	(3,619,250)	(704,981)
General Expenses	(35,277,727)	(1,144,912)	(36,422,639)	(38,412,722)	(1,990,083)
Total expenditure	(386,211,037)	(15,552,974)	(401,764,011)	(420,005,894)	(18,241,883)
Operating deficit	(10,384,727)	(13,796,802)	(24,181,529)	(48,535,546)	(24,354,017)
Gain on disposal of assets and liabilities	100,000	-	100,000	3,147	(96,853)
Inventories losses/write downs	-	-	-	(101,599)	(101,599)
	100,000	-	100,000	(98,452)	(198,452)
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(10,284,727)	(13,796,802)	(24,081,529)	(48,633,998)	(24,552,469)

Sedibeng District Municipality

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
Figures in Rand					
Statement of Financial Position					
Assets					
Current Assets					
Inventories	-	-	-	503,782	503,782
Receivables from exchange transactions	48,156,057	-	48,156,057	6,828,904	(41,327,153)
VAT receivable	-	-	-	127,318	127,318
Cash and cash equivalents	22,806,869	-	22,806,869	21,504,302	(1,302,567)
	70,962,926	-	70,962,926	28,964,306	(41,998,620)
Non-Current Assets					
Property, plant and equipment	110,864,480	(129,400)	110,735,080	104,197,589	(6,537,491)
Intangible assets	1,500,000	415,259	1,915,259	3,734,337	1,819,078
Heritage assets	-	-	-	4,894,941	4,894,491
	112,364,480	285,859	112,650,339	112,826,867	176,528
Total Assets	183,327,406	285,859	183,613,265	141,791,173	(41,822,092)
Liabilities					
Current Liabilities					
Payables from exchange transactions	161,851,026	14,082,661	175,933,687	243,837,452	67,903,765
Unspent conditional grants and receipts	-	-	-	12,526,313	12,526,313
	161,851,026	14,082,661	175,933,687	256,363,765	80,430,078
Total Liabilities	161,851,026	14,082,661	175,933,687	256,363,765	80,430,078
Net Assets	21,476,380	(13,796,802)	7,679,578	(114,572,592)	(122,252,170)
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Reserves					
Accumulated surplus	21,47,380	(13,796,802)	7,679,578	(114,572,592)	(122,252,170)
Total Net Assets	21,476,380	(13,796,802)	7,679,578	(114,572,592)	(122,252,170)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual
--	-----------------	-------------	--------------	------------------------------------	--

Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Grants	274,825,000	1,472,386	276,297,386	275,700,609	(596,777)
Interest income	1,680,000	220,000	1,900,000	2,944,162	1,044,162
Other receipts	96,905,310	63,786	96,969,096	31,810,499	(83,158,597)
License Receipts	-	-	-	282,365,920	282,365,920
	373,410,310	1,756,172	375,166,482	574,821,190	199,654,708

Payments

Employee costs	(270,529,216)	(6,886,945)	(277,416,161)	(275,369,136)	2,047,025
Suppliers	(86,116,081)	5,516,632	(80,699,449)	(115,493,422)	(34,793,973)
Licensing Authority	-	-	-	(175,818,609)	(175,818,609)
	(356,645,297)	(1,470,313)	(358,115,610)	(566,681,167)	(208,565,557)

Net cash flows from operating activities	16,765,013	285,859	17,050,872	8,140,023	(8,910,849)
---	-------------------	----------------	-------------------	------------------	--------------------

Cash flows from investing activities

Purchase of property, plant and equipment	(2,100,000)	129,400	(1,970,600)	(1,529,507)	441,093
Proceeds from sale of property, plant and equipment	140,000	-	140,000	66,041	(73,959)
Purchase of other intangible assets	(1,500,000)	(415,259)	(1,915,259)	(2,000,425)	(85,166)
Net cash flows from investing activities	(3,460,000)	(285,859)	(3,745,859)	(3,463,891)	281,968

Net increase/(decrease) in cash and cash equivalents	13,305,013	-	13,305,013	4,676,132	(8,628,881)
--	------------	---	------------	-----------	-------------

Cash and cash equivalents at the beginning of the year	9,501,856	-	9,501,856	16,828,172	7,326,316
--	-----------	---	-----------	------------	-----------

Cash and cash equivalents at the end of the year	22,806,869	-	22,806,869	21,504,304	(1,302,565)
---	-------------------	----------	-------------------	-------------------	--------------------

Medibeng District Municipality

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	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance								
Investment revenue	1,680,000	220,000	1,900,000	1,900,000	2,944,162	1,044,162	155%	175%
License and Permits	1,500,000	-	1,500,000	1,500,000	125,000	(1,375,000)	8%	8%
Transfers recognised - operational	277,241,000	1,472,386	278,713,386	278,713,386	277,892,099	(821,287)	100%	100%
Other own revenue	95,505,310	63,786	95,569,096	95,569,096	90,575,128	(4,993,968)	95%	95%
Total revenue excluding capital transfers and contributions)	375,926,310	1,756,172	377,682,482	377,682,482	371,536,389	(6,146,093)	98%	99%
Employee costs	(252,666,565)	(7,623,296)	(260,289,861)	(260,289,861)	(264,063,505)	(3,773,644)	101%	105%
Remuneration of councillors	(13,862,651)	736,351	(13,126,300)	(13,126,300)	(13,347,978)	(221,678)	102%	96%
Debt impairment	-	-	-	-	(8,777,064)	(8,777,064)	-	-
Depreciation and asset impairment	(12,099,180)	479,077	(11,620,103)	(11,620,103)	(15,714,687)	(4,094,584)	135%	130%
Transfers and grants	(9,288,000)	-	(9,288,000)	(9,288,000)	(9,461,526)	(173,526)	102%	102%
Other expenditure	(98,294,641)	(9,145,106)	(107,439,747)	(107,439,747)	(108,805,627)	(1,365,880)	101%	111%
Total expenditure	(386,211,037)	(15,552,974)	(401,764,011)	(401,764,011)	(420,170,387)	(18,406,376)	105%	109%
Surplus/(Deficit) for the year	(10,284,727)	(13,796,802)	(24,081,529)	(24,081,529)	(48,633,998)	(24,552,469)	202%	473%

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.e. s28 and s31 of the MFMA)	Final adjustments budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital Expenditure and funds sources								
Total capital expenditure	3,600,000	285,859	3,885,859	3,885,859	3,529,932	(355,927)	91%	98%
Sources of capital funds								
Internally generated funds	3,600,000	285,859	3,885,859	3,885,859	3,529,932	(355,927)	91%	98%
Total sources of capital funds	3,600,000	285,859	3,885,859	3,885,859	3,529,932	(2,223,754)	91%	98%
Cash Flows								
Net cash from (used) operating	16,765,013	285,859	17,050,872	17,050,872	8,140,023	(8,910,849)	48%	49%
Net cash from (used) investing	(3,460,000)	(285,859)	(3,745,859)	(3,745,859)	(3,463,891)	281,968	92%	100%
Net increase/(decrease) in cash and cash equivalents	13,305,013	-	13,305,013	13,305,013	4,676,132	(8,628,881)	35%	35%
Cash and cash equivalents at the beginning of the year	9,501,856	-	9,501,856	9,501,856	16,828,172	7,326,316	177%	177%
Cash and cash equivalents at year end	22,806,869	-	22,806,869	22,806,869	21,504,304	(1,302,565)	94%	94%

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

Accounting Policies

1. SIGNIFICANT ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost basis unless otherwise stated. Under this basis the effects of transactions and other events are recognised when they occur and are recorded in the financial statements within the period to which they relate.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notices 991 of 2005 and General Notice 516 of 2008, including any interpretations and directives issued by the Accounting Standards Board

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3.

The Minister of Finance has, in terms of General Notice 1290 of 2008 exempted compliance with certain of the above-mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality have been provided in the notes to the annual statements.

These accounting policies are consistent with those of the previous financial year.

The following GRAP standards have been approved and are effective:

GRAP 1 -	Presentation of financial statements
GRAP 2 -	Cash flow statements
GRAP 3 -	Accounting policies, changes in accounting estimates and errors
GRAP 4 -	The effects of changes in foreign exchange rates
GRAP 5 -	Borrowing costs
GRAP 6 -	Consolidated and separate financial statements
GRAP 7 -	Investments in associates
GRAP 8 -	Interest in joint ventures
GRAP 9 -	Revenue from exchange transactions
GRAP 10 -	Financial reporting in hyperinflationary economies
GRAP 11 -	Construction contracts
GRAP 12 -	Inventories
GRAP 13 -	Leases
GRAP 14 -	Events after the reporting date

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

GRAP 16 -	Investment property
GRAP 17 -	Property, plant and equipment
GRAP 19 -	Provisions, contingent liabilities and contingent assets
GRAP 21 -	Impairment of non-cash generating assets
GRAP 23 -	Revenue from non-exchange transactions
GRAP 24 -	Presentation of budget information
GRAP 25 -	Employee Benefits
GRAP 26 -	Impairment of cash generating assets
GRAP 31 -	Intangible assets
GRAP 103 -	Heritage assets
GRAP 104 -	Financial instruments
GRAP 100 -	Discontinued operations
GRAP 27 -	Agriculture

The following GRAP statements have been approved but are not yet effective:

GRAP 18 -	Segment reporting
GRAP 20 -	Related party disclosure
GRAP 105 -	Transfer of functions between entities under common control
GRAP 106 -	Transfer of functions between entities not under common control
GRAP 107 -	Mergers
GRAP 108 -	Statutory Receivables
GRAP 32 -	Service Concession Arrangements: Grantor
iGRAP 17 -	Service concession arrangements where a grantor controls a significant residual interest in an asset
Directive 11 -	Changes in measurement bases following the initial adoption of standards of GRAP

Offsets

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand and are rounded to the nearest Rand.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

1.3 SIGNIFICANT ESTIMATES, JUDGMENTS AND ASSUMPTIONS

1.3.1 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.

1.3.2 Significant Estimates, Judgments and Assumptions

In preparing the annual financial statements to conform with the Standards of GRAP, management is required to make estimates, judgments and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment are inherent in the formation of estimates. Actual results in the future may differ from these estimates.

All significant estimates, judgments and underlying assumptions are reviewed on constant basis. All necessary revisions of significant estimates are recognised in the period during such revisions as well as in any future affected periods.

Specific areas where these significant estimation uncertainties as well as critical judgments and assumptions were made in the application of accounting policies with the most significant effect in the annual financial statements are included in the following notes:

Note 2, 3 & 4: PPE, Intangible assets and Heritage assets useful lives estimates

Note 12: Provisions

Note 28: Contingencies

Note 10: Lease classification

Note 24: Debt Impairment

1.4 GOVERNMENT GRANT

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

1.5 PROPERTY, PLANT & EQUIPMENT

1.5.1 Recognition and Subsequent Measurement

An item of property, plant and equipment which qualifies for recognition as an asset has been initially measured at cost less subsequent depreciation.

The cost of an item of property, plant and equipment comprises of its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to working condition for its intended use.

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

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

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met. If expenditure only restores the originally best estimate of the expected useful life of the asset, then it is regarded as repairs and maintenance and is expensed.

Incomplete construction work is stated at historical cost. Depreciation only commences when the assets is available for use.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Municipality's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use.

Subsequently property, plant and equipment, are stated at cost, less accumulated depreciation and accumulated impairment losses.

Land is not depreciated as it is regarded as having an infinite life.

1.5.2 De-recognition, Sale & Disposal

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the proceeds of disposal and the carrying value and is recognised in the Statement of Financial Performance.

1.5.3 Depreciation

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful life of the asset. The depreciable amount is determined after deducting the residual value of the asset from its cost. The depreciation charge is recognised as an expense unless it is included in the carrying amount of another asset under construction. Assets will be depreciated according to their annual depreciation rates based on the following estimated useful life:

Community Assets	Years
Community halls	30
Recreation facilities	20 – 30

Other Assets	Years
Motor vehicles	5
Plant and equipment	5
Security measures	5
Buildings	30
IT equipment	5
Office equipment	7
Specialised vehicles	10

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimates unless expectations differ from the previous estimate.

1.6 INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Refer to impairment of assets accounting policy 1.7

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands are recognised in the Statement of Financial Performance as incurred.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Municipality and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Costs include the employee costs incurred as a result of developing software and an appropriate portion of relevant overheads.

1.6.1 Research and Development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Financial Performance when incurred.

Development activities involve a plan or design for the production of new or substantially new improved products and processes.

Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the municipality intends to and has sufficient resources to complete development and to use or sell the asset.

The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use.

Other development expenditure is recognised in the statement of financial performance as incurred.

1.6.2 Amortisation

Amortisation is recognised in the statement of financial performance on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for current and comparative periods are as follows:

Item	Useful Life
Computer software	3 Years

Each item of intangible asset is amortised separately.

Intangible assets that have an indefinite useful life are tested for impairment annually.

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

1.7 IMPAIRMENT OF FINANCIAL ASSETS

Impairment of Non-financial assets

Non-Financial assets, excluding investment property and inventories, are assessed at each reporting date to determine whether there is an indication that the carrying amount of the asset may be impaired. If such an indication exists, the recoverable amount of the asset is determined. Irrespective of whether an indication of impairment exists, the recoverable amount of goodwill, indefinite-life intangible assets and intangible assets not available for use are determined annually.

The recoverable amount of an asset is the higher of its fair value less costs to sale and its value in use. In determining the value in use, the estimated future cash flows of the asset is discounted to their present value based on pre-tax discount rates that reflects current market assessments of the time value of money and the risks that are specific to the asset. If the value in use of an asset for which there is an indication of impairment cannot be determined, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An asset's cash generating unit is the smallest group of identifiable assets that includes the asset and that generates cash inflows from continuing use that are largely independent from cash inflows from other assets.

An impairment loss is recognised in the statement of financial performance when the carrying amount of an individual asset or of a cash-generating unit is less than its recoverable amount. If the loss relates to the reversal of a previous revaluation surplus, it is recognised in equity. Impairment losses recognised on cash-generating units are allocated on a pro rata basis, to the assets in the cash-generating unit.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount of the asset or cash-generating unit. Impairment losses are reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been recognised in the past. Reversals of impairment losses are recognised directly in the statement of financial performance.

Impairment of Monetary assets

A provision for impairment is created when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables. The carrying value is reduced through the use of a provision and is recognised as a charge to the statement of financial performance. When a receivable is uncollectible, it is written off against the provision. Any subsequent recoveries of amounts previously written off are credited directly in the statement of financial performance.

A financial asset is impaired when there is a significant or prolonged decline in the fair value of the asset below its cost price or amortised cost. At such a point, a cumulative gains or losses that have been accumulated in net assets are removed from net assets as a reclassification adjustment and are recognised in the statement of financial performance. Any subsequent impairment losses are recognised directly in the statement of financial performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss and this is recognised as an expense in the period that the impairment is identified.

1.8 LEASES

Leases that transfer substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease payments are recognised as an expense on a straight-line basis over the lease period.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

The Municipality as Lessee

Assets leased in terms of finance lease agreements are capitalised at amounts equal at the inception of the lease to the fair value of the leased property, or lower, at the present value of the minimum lease payments. Capitalised leased assets are depreciated in accordance with the accounting policy applicable to property, plant and equipment; refer to property, plant and equipment policy 1.5. The corresponding rental obligations, net of finance charges, are included in long-term borrowings. Lease finance charges are amortised to the statement of financial performance (unless they are directly attributable to qualifying assets) over the duration of the leases so as to achieve a constant rate of interest on their remaining balance of the liability.

Obligations incurred under operating leases are charged to the statement of financial performance in equal installments over the period of the lease, except when an alternative method is more representative of the time pattern from which benefits are derived.

1.9 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

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 favorable to the entity.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- derivatives;
- combined instruments that are designated at fair value;

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

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

1.10 INVENTORIES

Inventories are initially measured at cost, where cost of inventories comprises of all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Unsold aviation fuel are valued at the lower of cost and net realisable value on a specific identification cost basis. Fuel are recognized as inventory when purchased, and then charged to expense when sold. Aviation fuel are sold in line with the applicable tariff as promulgated.

1.11 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and cash with banks. Short term investments are included. Bank overdrafts are recorded on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when the municipality has a present or constructive obligation, as a result of past events, that is probable to cause an outflow of resources embodying economic benefits required to settle the obligation and a reliable estimate of the provision can be made.

Where the effect of the 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 used in calculating the present value is the interest rate implicit in the transaction. Where this is impractical to determine the average interest rate cost of borrowing rate of the Municipality is used.

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

The municipality on initial adoption of the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets has done so retrospectively according to the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The necessary disclosures have been made for non-recognition of provisions that form part of the cost of an asset.

1.13 EMPLOYEE BENEFITS

1.13.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages and bonus plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

1.13.2 Termination Benefits

Termination benefits are recognised when actions have been taken that indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.13.3 Retirement benefits

The municipality provides retirement benefits for its employees and councilors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councilors have rendered the employment service or served office entitling them to the contributions.

1.13.4 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1.13.5 Post employment medical care benefits

The municipality provides post-employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period.

The municipal post-employment medical care is also on the defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

1.14 REVENUE RECOGNITION

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.14.1 Revenue from exchange transactions

Rendering of services

Flat rate service charges relating to rental of facilities and the reporting date shall be 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.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of the principal has been quantified.

The income recognised is in terms of the agency agreement.

Collection charges are recognised when such amounts are incurred.

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 goods;
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over 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 reliable.

1.14.2 Revenue from non-exchange transactions

Grants and donations received

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such assets are transferred to the Municipality.

1.14.3 Transfer revenue

Assets and revenue recognised as a consequence of a transfer at no or nominal cost is measured at the fair value of the assets recognised as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession.

1.14.4 Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

Revenue from the recovery of unauthorised irregular, fruitless and wasteful expenditure is based on legislated procedures.

1.15 VALUE ADDED TAX

The municipality accounts for Value Added Tax on the cash basis.

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

1.16 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003).

Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), and the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.19 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

1.20 CONSTRUCTION OF ASSETS IN PROGRESS

Construction of assets in progress is capital projects done on behalf of the Local Municipalities from the proceeds of conditional grants received and internal contributions. These projects are only handed over after full completion of the project and therefore all those uncompleted capital projects will be shown as Construction of assets in progress until date of transfer.

1.21 RELATED PARTIES

Related parties are identified and disclosed in terms of GRAP 20. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Associates (as per GRAP 7 - Investments in Associates);
- Joint ventures (as per GRAP 8 - Interests in Joint Ventures)
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Management, and close members of the family of management; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the two bullets above, or over which such a person is able to exercise significant influence.

Each municipality and its own municipal entities are related parties. A municipality is not related to another municipality as

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

they are not under common control.

The national government does not control provinces or municipalities for accounting purposes, although funding may be received from the national government.

The Municipality does not have and associates nor any joint ventures or any other form of association that may be defined as related party relation.

1.22 HERITAGE ASSETS

A heritage asset is as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held indefinitely for the benefit of present and future generations. The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably. Heritage assets are measured at cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition. The cost of a purchased heritage asset comprises:

- Heritage assets are subsequently measured at cost, less accumulated impairment losses. Where a heritage asset is acquired through a non exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.
- Transfers to heritage assets are made only when the asset meets the definition of a heritage asset and transfers from heritage assets are made only when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.
- Most heritage assets have an indefinite useful life as they are to be preserved for current and future generations and might appreciate in value over time due to their cultural, environmental, historical, natural, scientific, technological and/or artistic significance. Based on this analysis, there is no finite limit to the period over which a heritage asset is expected to be held by the entity. The useful life of the heritage asset is therefore likely to be indefinite or the annual depreciation is likely to be immaterial.
- The entity derecognises heritage asset on disposal, or when no service potential are expected from its use or disposal.
- The gain or loss arising from derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.23 BUDGET INFORMATION

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

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

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

The approved budget covers the fiscal period from 01 July 2018 to 30 June 2019.

The 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 (see page 9 - 11)

Sedibeng District Municipality
Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

2. Property, plant and equipment

	2019			2018		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	41,299,080	(12,279,296)	29,019,784	41,299,080	(12,279,296)	29,019,784
Buildings	76,948,439	(27,901,823)	49,046,616	76,948,439	(25,149,285)	51,799,154
Plant and machinery	11,530,491	(9,752,005)	1,778,486	11,426,314	(8,981,254)	2,445,060
Furniture and fixtures	18,649,303	(16,325,804)	2,323,499	18,310,740	(15,727,066)	2,583,674
Motor vehicles	7,458,432	(5,901,535)	1,556,897	7,458,432	(5,857,296)	1,601,136
Electronic equipment	77,210,996	(65,755,708)	11,455,288	77,055,727	(59,504,348)	17,551,379
Infrastructure	67,418,202	(58,401,183)	9,017,019	67,418,202	(55,577,865)	11,840,337
Total	300,514,943	(196,317,354)	104,197,589	299,916,934	(183,076,410)	116,840,524

Reconciliation of property, plant and equipment – 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	29,019,784	-	-	-	-	29,019,784
Buildings	51,799,154	-	-	(2,752,538)	-	49,046,616
Plant and machinery	2,445,060	122,948	(5,629)	(783,893)	-	1,778,486
Furniture and fixtures	2,583,674	369,001	(2,893)	(626,284)	-	2,323,499
Motor vehicles	1,601,136	-	-	(44,240)	-	1,556,897
Electronic equipment	17,551,379	1,037,558	(54,372)	(7,079,277)	-	11,455,288
Infrastructure	11,840,337	-	-	(2,823,318)	-	9,017,019
	116,840,524	1,529,507	(62,894)	(14,109,550)	-	104,197,589

Reconciliation of property, plant and equipment – 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	41,299,080	-	-	-	(12,279,296)	29,019,784
Buildings	54,553,816	-	-	(2,624,126)	-	51,799,154
Plant and machinery	2,548,874	630,837	(21,725)	(631,122)	-	2,445,060
Furniture and fixtures	2,969,242	296,536	(800)	(651,283)	-	2,583,674
Motor vehicles	1,676,170	-	(11,120)	(63,914)	-	1,601,136
Electronic equipment	22,571,797	1,881,165	(40,239)	(7,831,802)	-	17,551,379
Infrastructure	14,593,056	-	-	(897,240)	-	11,840,337
	140,212,035	2,808,538	(73,884)	(13,826,870)	(12,279,296)	116,840,524

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.

Note must be taken that the impairment on land related to the Vereeniging Aerodrome is due to the valuation roll of Emfuleni which indicate a lower value and therefore the impairment.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019
2018 as restated

The municipality also incurred **repair and maintenance** on the assets as outlined below.

Buildings, Fences and Sites	2,567,316	2,104,248
Plant and Equipment	1,043,732	1,035,499
Infrastructure	3,327,933	2,664,912
Vehicle	397,523	361,399
Total repair and maintenance	7,336,504	6,166,058

3. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	14,515,000	(10,780,663)	3,734,337	12,514,575	(9,175,526)	3,339,049

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	3,339,049	2,000,425	(1,605,137)	3,734,337

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer software, other	4,135,995	317,424	(1,114,370)	3,339,049

4. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	1,527,941	(19,000)	1,508,941	1,527,941	(19,000)	1,508,941
Historical monuments	3,386,000	-	3,386,000	3,386,000	-	3,386,000
Total	4,913,941	(19,000)	4,894,941	4,913,941	(19,000)	4,894,941

Reconciliation of heritage assets 2019

	Opening balance	Transfer received	Impairment losses recognized	Total
Art Collections, antiquities and exhibits	1,508,941	-	-	1,508,941
Historical monuments	3,386,000	-	-	3,386,000
	4,894,941	-	-	4,894,941

Reconciliation of heritage assets 2018

	Opening balance	Transfer received	Impairment losses recognized	Total
Art Collections, antiquities and exhibits	1,076,880	451,061	(19,000)	1,508,941
Historical monuments	3,386,000	-	-	3,386,000
	4,462,880	451,061	(19,000)	4,894,941

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
5. Inventories		
Fuel – Airport		
Both AVGAS and JET A1 are sold at the Vereeniging Aerodrome		
Aviation Fuel	503,782	157,811
	503,782	157,811
6. Receivables from exchange transactions		
Trade Debtors	-	-
Employee costs corrections	512,306	484,546
Prepayments	8,026	14,749
VAT on Accruals	1,214,159	1,225,798
SETA Refunds	56,898	89,391
Insurance debtor	-	70,364
Recoveries from staff	28,482	41,098
Unprocessed bank transactions	12,176	49,291
Interest Receivable on bank account	159,348	149,185
Agency services	4,837,509	2,068,629
EPWP Bridging Finance	-	162,229
Gross amount	6,828,904	4,355,284
Trade debtors		
>91	-	2,079,498
Less: Provision for Debt Impairment (opening balance)	-	(2,079,498)
Total Trade Debtors	-	-
Employee cost recoverable		
Current (0 – 30 days)	720	10,030
>91	511,586	595,540
Total Employee cost recoverable	512,306	605,570
Pre payments		
Current (0 – 30 days)	4,071	10,794
>91	3,955	3,955
Total Pre payments	8,026	14,749
VAT on Accruals		
Current (0 – 30 days)	454,378	466,017
>91 days	759,781	759,781
Total VAT on Accruals	1,214,159	1,225,798
SETA Refunds		
Current(0-30 days)	56,898	89,391
>120 days	-	-
Total SETA Refunds	56,898	89,391
Insurance claims		
Current (0-30days)	-	70,364
Recoveries from staff		
Current (0 – 30 days)	28,482	41,098
Unprocessed bank transactions		
Current (0 – 30 days)	12,176	49,291

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
Interest receivable		
Current (0 – 30 days)	159,348	149,185
Agency services		
Current (0 – 30 days)	1,443,625	1,625,707
31 – 60 days	1,486,513	1,566,171
61 – 90 days	945,722	941,573
91 – 120 days	961,649	896,142
>120 days	53,361,226	41,623,198
Less: Provision for Debt Impairment (current year)	(53,361,226)	(44,584,162)
Total Local Municipalities Agency services	4,837,509	2,068,629

A provision for bad debt was raised for the outstanding debt arising from agency services rendered to the Local Municipalities.

EPWP Bridging Finance

Current (0 – 30 days)	-	162,229
-----------------------	---	---------

7. VAT receivable

VAT	127,318	340,408
Council is registered on the cash basis for VAT, This amount is due from SARS based on submitted returns		

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	40,825	39,325
Cash book balances	21,463,477	16,788,847
	21,504,302	16,828,172

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June, 2019	30 June, 2018	30 June, 2019	30 June, 2018
STANDARD BANK - Previous Primary account - 21777667	2 881 337	372 735	2 881 337	372 735
STANDARD BANK - Licensing Account - 21781494	833 456	443 565	833 456	443 565
NEDBANK - Primary Account - 1152944835	4 149 109	1 926 317	4 138 016	1 761 552
NEDBANK - Licensing account - 1152944606	13 610 668	14 210 995	13 610 668	14 210 995
Total	21 474 570	16 953 612	21 463 477	16 788 847

9. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Provincial Grants	12,526,313	15,067,804
National Grants	-	-
DLG Grants	-	206,460
	12,526,313	15,274,264

Movement during the year

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
Balance at the beginning of the year	15,274,264	13,470,653
Additions during the year	15,312,529	16,937,985
Income recognition during the year	(18,060,480)	(14,726,374)
Grant Reversal / forfeit	-	(408,000)
	12,526,313	15,274,264

The nature and extent of government grants recognised in the 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 20 for reconciliation of grants from National/Provincial Government.

10. Payables from exchange transactions

Trade payables	8,642,577	6,750,135
Payments received in advanced	-	2,378,000
Accrued leave pay	23,732,414	22,852,190
Operating lease liability	170,210	77,781
Department of Transport (License fees)	123,133,161	96,520,790
Local Municipalities Accounts	77,554,958	61,409,369
Vat Accrued on Debtors	6,991,125	5,466,537
Retention on Capital Projects	53,125	72,125
Compensation Commissioner	3,238,187	1,522,065
Mayoral Event	41,928	41,928
Refundable town hall rental deposits	81,800	215,388
Unclaimed Salaries	196,267	21,799
Unknown deposits	1,700	92,412
	243,837,452	197,420,519

11. Revenue

Sale of goods	4,134,504	3,534,163
Rental of facilities and equipment	723,618	570,958
Agency services	76,390,440	71,182,541
Licenses and permits	125,000	2,255,000
Commissions received	6,174,438	6,810,435
Recoveries non-exchange	-	489,076
Other income	3,086,087	986,341
Interest received - investment	2,944,162	2,835,809
Gain on disposal of assets and liabilities	3,147	13,857
Government grants & subsidies	277,892,099	269,415,374
	371,473,495	358,093,554

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

Sale of goods – Aviation Fuel	4,134,504	3,534,163
Rental of facilities and equipment	723,618	570,958
Agency services	76,390,440	71,182,541
Commissions received	6,174,438	6,810,435
Other income	3,086,087	986,341
Gain on disposal of assets and liabilities	3,147	13,857
Interest received - investment	2,944,162	2,835,809
	93,453,249	85,934,104

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

Taxation revenue		
Licenses and permits	125,000	2,255,000

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
Recoveries	-	489,076
Transfer revenue		
Government grants & subsidies	277,892,099	269,415,374
	278,017,099	272,159,450
12. Rental of facilities and equipment		
Facilities and equipment		
Facilities & equipment	518,575	361,099
Garages and parking		
Parking	205,043	209,859
	723,618	570,958
13. Agency services		
Information Technology services	10,234,280	10,455,732
Department of Transport	66,156,160	60,726,809
	76,390,440	71,182,541
14. Licenses and permits (from non-exchange transactions)		
Health Certificates	125,000	2,255,000
	125,000	2,255,000
15. Other Revenue		
Commissions received	6,174,438	6,810,435
Other income - (consolidated)	3,086,087	986,341
	9,260,525	7,796,776
16 Other income – (consolidated)		
Insurance refunds	1,464,177	-
Ad-hoc Income	-	-
Skills Levy Income	442,602	425,295
Incidental income	683,708	92,956
Tender Income	8,069	14,322
Commission on Salaries	186,597	200,467
Staff recoveries	300,934	253,301
	3,086,087	986,341

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated		
17. Recoveries from non-exchange transactions				
Fraud recovery recoveries	-	489,076		
Progress on recoveries from cyber hacking theft which occurred in March 2016. The case was reported to the SA Police service and the current status of investigation is unknown. No recoveries occurred during the current financial year.				
18. Investment revenue				
Interest revenue				
Bank	2,944,162	2,835,809		
19. Grants and subsidies paid				
Other subsidies				
EPWP Grant Payments	1,173,526	2,488,066		
HIV & AIDS payments	8,288,000	7,750,649		
	<u>9,461,526</u>	<u>10,238,715</u>		
20 Government grants and subsidies received				
Operating grants				
Equitable share	258,891,000	254,779,000		
HIV and AIDS Grants	8,288,000	7,750,649		
EPWP Grant	1,000,000	2,490,000		
Rural Roads Grant	2,379,439	2,431,000		
Agriculture Grant	2,208,581	714,725		
National Grants	1,250,000	1,250,000		
Youth grant	3,875,079	-		
	<u>277,892,099</u>	<u>269,415,374</u>		
Equitable Share				
Current-year receipts	(258,891,000)	(254,779,000)		
Conditions met - transferred to revenue	258,891,000	254,779,000		
	<u>-</u>	<u>-</u>		
Provincial Grants				
Balance unspent at beginning of year	15,067,804	13,264,193		
Current-year receipts	13,062,529	15,687,985		
Conditions met - transferred to revenue	(15,604,020)	(13,476,374)		
Grants forfeited	-	(408,000)		
	<u>12,526,313</u>	<u>15,067,804</u>		
Conditions still to be met - remain liabilities (see note 9).				
Reconciliation of Unspent Conditional Grants				
	Opening Balance July 2018	Grants Received 2018/19	Grants Spent/ forfeit 2018/19	Unspent Grants June 2019
LED Project	119,378			119,378

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

			2019	2018 as restated
	Opening Balance July 2018	Grants Received 2018/19	Grants Spent/forfeit 2018/19	Unspent Grants June 2019
HIV/AIDS	39,471	8,248,529	(8,288,000)	-
Establishment of Shared Services	350,000	-	(350,000)	-
Sport and Recreation	-	2,378,000	(2,378,000)	-
Agriculture	2,288,299	-	(2,208,581)	79,718
Transfer of Informal Settlements	12,270,425	-	-	12,270,425
Rural Roads	231	2,436,000	(2,379,439)	56,792
	15,067,804	13,062,529	(15,604,020)	12,526,313

National Grants

	2019	2018 as restated
Balance unspent at beginning of year	-	-
Current-year receipts	1,250,000	1,250,000
Conditions met - transferred to revenue	(1,250,000)	(1,250,000)
Grant Reversal / Forfeit	-	-
	-	-

Conditions still to be met - remain liabilities (see note 9).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2018	Grants Received 2018/19	Grants Spent/Forfeit 2018/19	Unspent Grants June 2019
Municipal Finance Management Grant ¹	-	1,250,000	(1,250,000)	-
EPWP Grant	-	1,000,000	(1,000,000)	-
	-	2,250,000	(2,250,000)	-

COGTA Grants

	2019	2018 as restated
Balance unspent at beginning of year	206,460	206,460
Conditions met - transferred to revenue	(206,460)	-
	-	206,460

Conditions still to be met - remain liabilities (see note 9).
Reconciliation of Unspent Conditional Grants

	Opening Balance July 2018	Grants Received 2018/19	Grants Spent/forfeit 2018/19	Unspent Grants June 2019
Sharpeville Public Library	206,460		(206,460)	-
	206,460		-	-

Changes in level of government grants.

Sedibeng District Municipality
Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019
2018 as
restated

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

21. Employee related costs

Employee related cost exclusive of Section 57 employees	167,751,194	159,874,479
Bonus	13,204,100	12,786,887
Medical aid - company contributions	16,073,258	15,028,280
UIF	1,031,330	1,059,734
Other payroll levies	3,239,271	3,090,284
Leave pay provision charge	4,210,692	4,482,827
Defined contribution plans	33,814,474	32,291,281
Overtime payments	5,108,133	7,050,336
Car allowance	10,089,965	10,372,857
Housing benefits and allowances	1,513,746	1,455,836
Telephone Allowances	11,050	12,600
Standby Allowance	555,575	775,451
Termination benefits	1,510,743	1,554,137
	258,113,531	249,834,989

Remuneration of Municipal Manager

Annual Remuneration	1,618,110	1,618,108
Car Allowance	180,000	180,000
Performance Bonuses	-	-
Contributions to UIF, Medical and Pension Funds	1,785	1,785
Other	96	794
	1,799,991	1,800,687

The Municipal Manager was appointed on the 1st of June 2017

Remuneration of Chief Financial Officer

Annual Remuneration	287,442	115,050
Car Allowance	75,000	12,000
Contributions to UIF, Medical and Pension Funds	787	18,516
Other	-	400
	363,229	145,966

The Chief Financial Officer contract ended the end July 2017 and the position was vacant where an acting CFO was in the position until mid-February 2019. The CFO salary is therefore only reflected from mid-February till June 2019

Remuneration of Chief Operations Officer

Annual Remuneration	-	106,442
Car Allowance	-	-
Contributions to UIF, Medical and Pension Funds	-	5,172
Other	-	-
	-	111,614

The Chief Operations Officer position was abolished in July 2017 whereby remuneration was only paid for July 2017.

Remuneration of Executive Director – Corporate services

Annual Remuneration	797,456	731,281
Car Allowance	178,357	161,131

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
Contributions to UIF, Medical and Pension Funds	1,890	27,997
Other	10,228	8,966
	987,931	929,375
Remuneration of Executive Director – Community services		
Annual Remuneration	805,930	686,762
Car Allowance	180,000	135,000
Contributions to UIF, Medical and Pension Funds	1,890	1,570
Other	-	-
	987,820	823,332
Remuneration of Executive Director – Strategic Planning and Economic development		
Annual Remuneration	702,295	614,891
Car Allowance	176,951	117,967
Contributions to UIF, Medical and Pension Funds	108,574	90,474
Other	-	-
	987,820	823,332
Remuneration of Executive Director – Transport, Infrastructure and Environment (Vacant since May 2019)		
Annual Remuneration	644,581	673,252
Car Allowance	150,000	142,500
Contributions to UIF, Medical and Pension Funds	28,602	25,010
Other	-	-
	823,183	840,762
Total personnel cost	264,063,505	255,310,057
<p>The executive directors were all newly appointed in 2017 and are being remunerated in accordance with the upper limit gazette number 40118 of 4 July 2016.</p>		
22. Remuneration of councillors		
Executive Major	1,048,360	1,066,135
Mayoral Committee Members	6,552,319	6,216,843
Speaker	766,387	844,126
Councillors	4,980,912	4,698,935
	13,347,978	12,826,039
In-kind benefits		
<p>The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.</p>		
<p>The Executive Mayor and Speaker have use of a Council owned vehicle for official duties.</p>		
<p>The Executive Mayor and Speaker have full-time bodyguards</p>		
23. Depreciation and amortisation		
Property, plant and equipment	14,109,550	13,826,870
Intangible assets	1,605,137	1,114,370
	15,714,687	14,941,240

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
24. Lease rentals on operating lease		
Premises		
Contractual amounts	6,077,042	5,617,609
Motor vehicles		
Contractual amounts	1,459,494	1,653,067
Plant and equipment		
Contractual amounts	4,471	110,925
Ad-hoc amounts	549,118	573,133
	8,090,125	7,954,734
25. Debt impairment		
Debtors	8,777,064	44,584,162
	8,777,064	44,584,162
26. Contracted services		
Outsourced Services		
Administrative and Support Staff	19,606,169	18,896,523
Fire Services	86,634	41,227
Hygiene Services	179,360	198,515
Internal Auditors	331,329	834,048
Professional Staff	1,782,722	1,489,294
Security Services	16,986,694	13,780,917
Transport Services	-	24,459
Consultants and Professional Services		
Business and Advisory	7,047,908	8,682,493
Infrastructure and Planning	1,920,506	621,500
Legal Cost	1,182,003	1,276,624
Contractors		
Artists and Performers	233,238	147,373
Audio-visual Services	-	17,000
Catering Services	987,565	803,909
Event Promoters	695,431	979,056
Fire Services	21,060	23,878
Inspection Fees	43,482	68,981
Maintenance of Buildings and Facilities	2,567,316	2,104,248
Maintenance of Equipment	4,371,664	3,700,410
Medical Services	-	2,213
Pest Control and Fumigation	60,000	87,330
Plants, Flowers and Other Decorations	-	17,419
Stage and Sound Crew	18,500	
Transportation	397,456	361,399
	58,519,037	54,159,082

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

	2019	2018 as restated
27. General expenses		
Advertising	326,349	188,970
Assessment rates & municipal charges	5,272,913	3,998,894
Auditors remuneration	3,371,101	2,895,785
Bank charges	3,151,793	3,114,867
Computer expenses	876,445	726,179
Consulting and professional fees	84,000	89,500
Consumables	3,729,133	3,527,242
Entertainment	-	1,498
Insurance	1,370,123	2,105,066
IT expenses	2,901,145	2,922,102
Levies	2,213,009	2,126,476
Postage and courier	2,653	2,598
Printing and Publications	739,162	893,229
Protective clothing	425,992	140,497
Royalties and license fees	44,829	27,740
Subscriptions and membership fees	2,543,268	2,517,857
Telephone and fax	5,280,025	5,017,175
Training	841,396	592,398
Subsistence & Travel	802,716	908,480
Campaigns	2,506,169	2,567,127
Congresses & Meetings	115,879	87,746
External Bursaries	98,500	241,745
Donations & Grants	-	145,000
WCA Contribution	1,716,122	1,522,065
	38,412,722	36,360,699
<p>The municipality incurred R483,667 in expenditure related to Political Party Caucus funding in accordance with Council Caucus Funding Policy. Such expenditure is classified in accordance with the nature of the expense.</p>		
28. Sale of Goods		
Sale of goods		
Cost of Aviation fuel	3,619,250	3,373,952
Aviation fuel (JET A1 and AVGAS) are sold at the Vereeniging Aerodrome.		
29. Auditors' remuneration		
Fees	3,371,101	2,895,785
30. Cash generated from operations		
Deficit	(48,633,998)	(93,934,422)
Adjustments for:		
Depreciation	15,714,687	14,941,240
Loss / (Gain) on sale of assets and liabilities	(3,147)	(13,857)
Impairment deficit	-	12,279,296
Debt impairment	8,777,064	44,584,162
Changes in working capital:		
Inventories	(345,971)	197,190
Receivables from exchange transactions	(2,473,620)	32,757,216
Assets under construction	-	561,118
Debt Impairment	(8,777,064)	(44,584,162)
Payables from exchange transactions	46,416,933	31,868,164
VAT	213,090	(2,467,034)
Unspent conditional grants and receipts	(2,747,951)	1,803,611
	8,140,023	(2,007,478)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

31. Risk management

Financial risk management

Liquidity risk

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

Interest rate risk

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Categories of Financial Instruments	2019	2018 as restated
Financial Assets		
Cash and cash equivalents	21,504,302	16,827,972
Inventories	503,782	157,811
Trade and other receivables from exchange transactions	6,828,904	4,355,284
VAT Receivable	127,318	340,408
	28,964,306	21,681,675
Financial Liabilities		
Unspent conditional grants and receipts	12,526,313	15,274,264
VAT Payable	-	-
Trade and other payables from exchange transactions	243,837,452	197,420,519
Total Liabilities	256,363,765	212,694,783

If the interest rates received on investments increase or decrease by 100 basis points, the effect on the Statement of Financial performance would be as follows:

	2019		2018	
	Rate %	Effect on Surplus	Rate %	Effect or Surplus
Floating Rate Financial Assets				
Cash and cash equivalents	1%	215,043	1%	168,280
Inventories	1%	5,038	1%	1,578
Trade and other receivables from exchange transactions	1%	68,289	1%	43,553
Floating Rate Financial Liabilities				
Unspent conditional grants and receipts	1%	(125,263)	1%	(152,743)
Trade and other payables from exchange transactions	1%	(2,438,375)	1%	(1,974,205)

32. Commitments

32.1 Contracted capital and operating expenditure

Unspent conditional grants and receipts		
Provincial Grants	12,406,935	14,598,426
	12,406,935	14,598,426

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

The current unspent conditional grants are all committed funds which still need to be utilized in order to meet the conditions as stipulated in the various government gazettes.

32.2 Operating leases - as lessee (expense)

Minimum lease payments due

Within one year	4,338,689	7,984,362
Later than one year but not later than five years	6,161,495	

Operating lease payments represent rentals payable by the municipality for certain of its office properties.

32.3 Operational expenses

Operational expenses

Within one year	22,105,294	15,890,852
Later than one year but not later than five years	1,008,500	15,890,852

33. Contingencies

The Municipality may be liable for claims instituted against the Municipality by employees who have disputes against the Municipality. The amount is uncertain as an arbitration award has not yet been issued against those claims.

There is a discrepancy between the Department of Transport claim (TAS9) reports received and the actual collection which differ and has accumulated over the years to the amount of R 4,963,663.46 which relates to prior periods.

34. Prior year amendments

34.1 Prior period errors

See below detail of corrections. The total correction amounts to (R 8,523,060)

The correction of the error(s) and change in accounting policy results in adjustments are as follow:

Statement of changes in net assets	
Closing balance 1 July 2018	(57,415,540)
Creditor Overstated	27,050
Debtors overstated on Employees	(121,024)
Debtors understated on Pre-paid Advances	892
Creditor understated Claims Emfuleni	(21,198,430)
Yearend VAT on debtor overstated	(106,282)
Trade creditors understated	(1,240,844)
Cash advances understated	200
Non-current assets understated	14,115,378
Restated Closing balance 1 July 2018	(65,938,600)

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

Surplus (Deficit) for the year 2018 Previously reported	(89,350,698)
Contracted Services - Administrative and support staff – understated	(915,032)
Contracted services – Catering services - overstated	12,250
Contracted Services - Plants, Flowers and Other Decorations - overstated	14,800
Contracted services – Security services - overstated	222,773
Municipal Services - understated	(2,563,734)
Depreciation and Amortisation understated	(1,354,781)
Restated Surplus (Deficit) for the year 2018	(93,934,422)

Expenditure	2018 Restated	2018 Previous Year Stated	Variance
Contracted Services - Administrative and support staff	(18,896,523)	(17,981,491)	(915,032)
Contracted services – Catering services	(803,909)	(816,159)	12,250
Contracted Services - Plants, Flowers and Other Decorations	(17,419)	(32,219)	14,800
Contracted services – Security services	13,780,917	14,003,690	222,773
Municipal Services	(3,998,894)	(1,435,160)	(2,563,734)
Depreciation and Amortisation	(14,941,240)	(13,586,459)	(1,354,781)
Deficit for the year	(93,934,422)	(89,350,698)	(4,583,724)
2017/18 Corrections			(3,939,337)
Total Corrections			(8,523,060)

The correction of an error on the PPE and Intangible assets was done where the error was detected in the current year. Changes were made retrospectively which effect the opening balances of the 2017/18 financial year. The total change in the 2017/18 financial year amounts to R 15,470,159. It was impractical to disclose period specific effects of the error because the exercise was not conducted in the 2017/18 financial year.

34.2 Change in accounting policy (Adjustments)

None

35. Going concern

We draw attention to the fact that at 30 June, 2019, the municipality had accumulated deficit of R 114,572,592 and that the municipality's total liabilities exceed its assets by R 114,572,592.

The 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.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

As a District Municipality based on our powers and functions we are completely grant dependent. No other main revenue source is obtainable. Over the last 8 years, as a result of the global financial economy constraints, National Treasury downscaled and implemented austerity measures which resulted in the reduction of our main source of revenue, the Equitable share. It is as a result of the global financial constraint that the equitable share over the last 8 years were reduced far lessor than the CPI for each financial period. In addition the South African Local Bargaining Council was implementing salary increases at a higher rate than the equitable share growth allocated to municipalities over the last 7 years – Uncontrollable to municipalities. The reduction has been reported to National Treasury as our revenue source diminished. It was based on this reason that the District Municipality implemented austerity measures over the last 6 years which is still in place. The municipality performs daily, weekly and monthly cash flow reconciliations with projections to ensure that we are able to meet our obligations. The municipality adopted a pro-poor budgeting approach and followed National Treasury budget guide as a principle for provision on depreciation and employee cost.

We draw further attention to the fact that at 30 June, 2019, the municipality's current liabilities exceed its current assets with R227,399,459. The municipality also had operating deficit in the current financial year of R 48,633,998 (previous financial year loss of 93,342,422) which resulted in a decrease in the net asset value.

The Municipality is busy with a process of aligning the current powers and functions assigned to the District and the Locals in order to regain sustainability within the District. Drastic cost saving measures will be implemented starting with a process of restructuring the organization based on the assigned powers and functions. The Council has recently approved that it (Sedibeng District Municipality) should perform the section 84(1) powers and functions of the Municipal Structures Act 117 of 1998.

The municipality does not have any fixed-term borrowing or short term loans and therefore does not put reliance on borrowings.

The municipality does have comprehensive insurance on its assets as set out in the asset register.

36. Events after the reporting date

It has been identified that land is incorrectly registered at the Deeds Office in the name of Sedibeng District Municipality. These properties still need to be transferred to their rightful owner, Emfuleni Local Municipality.

37. Unauthorised expenditure

The municipality is having an operating deficit resulting from overspending on the operating budget during the financial year to the amount of R 6,585,486 related to salary cost and municipal services.

Opening balance	5,927,088	-
Add: expenditure identified – current period	6,585,486	5,927,088
Add: expenditure identified - prior period	-	-
Less: Approved by Council	-	-
	12,512,574	5,927,088

Analysis follow: Cash

Employee related cost	3,699,015	5,927,088
General expenses	2,712,945	
Transfer and subsidies paid	173,526	
	6,585,486	5,927,088

Currently no investigation was done on the disclosure of unauthorized expenditure.

38. Fruitless and wasteful expenditure,

Possible fruitless and Wasteful expenditure are investigated and where applicable recovered from the Employee / Councillor concern. An amount of R 446,685 is currently being recovered from an employee related to salary cost recoverable. See annual report for details on all recoveries during the year.

Opening balance	595,540	595,540
Paid off during the year	(148,885)	-
-Fruitless and wasteful expenditure identified during the year	-	-
	446,655	595,540

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

39. Irregular expenditure

Irregular expenditure was incurred in the financial year based on appointments made in deviating from SCM legislation where. Irregular expenditure was also incurred on Sect 56 employee-related costs during the financial year.

Opening Balance	12,977,597	3,566,122
Add: expenditure identified during the year	9,040,332	9,411,475
Add: expenditure – prior period	-	-
Less: Approved by Council	(3,566,122)	-
	18,451,807	12,977,597
Instances and cases in the current year		
Tax clearance invalid	-	65,487
Supply chain processes	8,162,011	7,976,326
Employee cost	-	654,258
Sect 56 Employee cost above threshold	515,092	715,404
Sect 56 employee not a RSA citizen	363,229	-
	9,040,322	9,411,475

Cases under investigations

Investigations were conducted by MPAC oversight committee on the 2016/17 financial year balance of R3,566,122 in August 2018 where a report was submitted to Council indicating that the amount must be written off as irrecoverable based on MPAC assessment and recommendations. Further investigation was done by an appointed company for the irregular expenditure of R9,11,475 recorded in the 2017/18 financial year still to be approved by Council

40. Additional disclosure in terms of Municipal Finance Management Act

40.1 PAYE and UIF & Skills levy

Current year subscription / fee	45,000,163	42,054,592
Amount paid - current year	(45,000,163)	(42,054,592)
	-	-

40.2 Pension and Medical Aid Deductions

Current year subscription / fee	77,387,005	73,622,263
Amount paid - current year	(77,387,005)	(73,622,263)
	-	-

40.3 VAT

VAT receivable	127,318	340,408
VAT payable	-	-
	127,318	340,408

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

40.4 Television sets in terms of the Television License Regulations under the Broadcasting act no 4 of 1999, as amended

Description	Number of sets	Period that sets were in entity's possession
Owned television sets	48	48 sets were used for the full year;
Rented or leased television sets	-	
Number of sets donated/ alienated	-	
TOTAL	48	

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Figures in Rand

2019

2018 as
restated

40.5 Related party transactions

Councillors and specifically the Executive Mayor and Speaker remuneration in terms of the government gazette are shown separately in note 22.

Section 56 employees' (Key Management) remuneration packages are shown separately in note 21. Section 57 employees are required to enter into an annual performance contract where pre-determined objectives are linked to the integrated development Plan. Councillors and all officials must annually declare their interests and the interest of close family members to Council.

The Council is in the process of establishing a State Owned Company (SOC), "The Vaal River City Tourism Promotion Company SOC" which will operate as a municipal entity to render the local tourism function. The CIPC Commissioner has registered the entity taking effect as from 30 August 2013, however, the establishment of the entity as per section 84(2) MFMA have as yet not been concluded and operations were not undertaken in terms of sections 85 through to 104 MFMA and hence there are no further disclosures to be made in terms of section 92 MFMA for the year ended 30 June 2019.

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019
Notes to the Financial Statements

0.6 Declaration of business conducted to close family members in the service of the state

The below table list the awards to close family members of persons in the service of the state and awards to persons in the service of the state.

Awards to close family members of persons in the service of the state

Company Name	Initials	Surname	Designation and Employee NO.	Relationship with the company	Amount Paid
Panorama Bloemiste CC	CS	Heunes	Senior Accountant Expenditure (17530)	Spouse to the Director/Shareholder	R 36,478
Africa Shades Construction	N	Monga	Assistant Manager Networks (00518)	Son of the Director/Shareholder	R52,724
TOTAL					R 89,202

Awards to persons in the service of the state

No	Name of person	Position	Name of private company	Employing department	Amount
1	Moramang Vincent Mofokeng	Operational Planning And Control	Mvelas And Mahwana Construction Cc	Transnet Group	R70 756.90
2	Nosakhele Mbuli	Cleaner I.	Thandolihle Trading	EC: EDUCATION	R23 217.39
3	Joyce Zodiwa Visser	No Information Provided	Core Innovation Group	South African Broadcasting Corporation	R152 497.89
4	Sipho Jacob Ganafana	No Information Provided	Sphola Holdings (Pty)Ltd	South African Broadcasting Corporation	R7 546.20
5	Samuel Sekgwape Bahula	Security & Emergency Services	Spk Ministry	Transnet Group	R1 300.00
6	Petros Kerel Molaetsa	Train Assistant	Dikheparaly Events Management	Transnet Group	R27 900.00

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019
Notes to the Financial Statements

No	Name of person	Position	Name of private company	Employing department	Amount
	Thamsanga Bongani Nkwanyana and John Saveca	Mechanical Engineering	Dynamics Quality Providers (Pty) (Ltd)	Transnet Group	R65 250.00
	Sifiso Constance Makgathi	Administrative Assistant School	Miraculous Power Holdings	GP: EDUCATION	R40 308.21
	Ayanda Cleopatra Ceba	Executives	Business Connexion (Pty)Ltd	Transnet Group	R2 965 424.48
10	Ashwin Hirjee Trikamjee	Board Member	Gijima Holdings (Pty)Ltd	The KwaZulu Natal Royal Household Trust	R32 549.99
Total					R3,386,751.06

41. Deviation from supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

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 16 and 17 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements.

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

DEVIATIONS FOR THE FINANCIAL YEAR 2018/2019					
Date of the order	Order number	Name of Supplier	Nature of Deviation	Goods and Services Procured	Amount
2018/08/14	103550	Department of transport and Public work	Sole Supplier	Face value form box for Licensing Department	R 25 172.40
2018/08/14	103553	Department of transport and Public work	Sole Supplier	Face value form box for Licensing Department	R 25 172.40
2018/08/14	1036599	Department of transport and Public work	Sole Supplier	Face value form box for Licensing Department	R 25 172.40
2018/08/14	1036604	Juta & Company Pty (Ltd)	Sole Supplier	Road traffic legislation rs46 books	R 985.30
2018/08/15	1036843	Sage wise/Nandos Vereeniging	Only two quotes received from SCM as a short notice request.	Short notice - finger lunch for Office of the Speaker meeting with the stakeholder.	R 711.00
2018/08/15	1036847	Sure global travel (Pty) Ltd	Only two quotes received from SCM as an urgent request	Flight tickets and car hire to Durban for spatial planning land reform and economic transformation symposium.	R 3 910.00
2018/08/21	1036863	Lolliipop trading and projects	Sole Supplier	Advert for advertising vacant posts.	R 6 900.00
2019/03/26	21396	JUTA AND COMPANY (PTY) LTD	Sole Supplier	Local Government Library Books for CFO.	R 1 464.92
2019/03/14	25278	Sure Global Travel (Pty)Ltd	Only one quote received from SCM as the service was offline.	Flight and Car hire for attending Local Government Research Colloquium SALGA.	R 5 034.53

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019
Notes to the Financial Statements

DEVIATIONS FOR THE FINANCIAL YEAR 2018/2019						
Date of the order	Order number	Name of Supplier	Nature of Deviation	Goods and Services Procured	Amount	
2019/03/14	37607	Department of transport and Public work	Sole Supplier	Face value form box for Licensing Department	R 25 172.40	
2019/03/14	24206	SJ Radebe	Only two quotes received from SCM as the service was offline.	Transport for Human Rights Day for Lesedi region.	R 3 000.00	
2019/03/17	24761	JUTA AND COMPANY (PTY) LTD	Sole Supplier	Road traffic legislation: RS47+ and delivery charges	R 1 229.92	
2019/03/13	21813	Zox Trading	Only two quotes received from SCM as the service was offline.	Mobile Toilet and Marquee Tent for Race	R15 500.00	
2019/03/13	24814	K2017035103	Only two quotes received from SCM as the service was offline.	Still water for Fun Race.	R 7 500.00	
2019/03/11	24809	Ithomba Liyadhlolisa Trading	Only two quotes received from SCM as the service was offline.	Race timer System	R18 400.00	
2019/03/13	24811	Lefika Trading	Only two quotes received from SCM as the service was offline.	Lunch 2 for Fun Race	R 2 400.00	
2019/04/11	1037791	TL Appliances and Lawnmowers	Sole Supplier	Repairs and Service Lawnmowers and bush cutters (estimate rate per hour	R20 390.00	
				Total	R188,115.27	

Sedibeng District Municipality
 Financial Statements for the year ended 30 June, 2019
Notes to the Financial Statements

42. Budget differences

Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2019

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Sale of goods	3,600,000	4,134,504	534,504	14.85%	More fuel sold than budget based on demand of fuel at the Vereeniging Aerodrome
Rental of facilities and equipment	735,657	723,618	(12,039)	(1.64%)	
Agency services	83,198,712	76,390,440	(6,808,272)	(8.18%)	Decrease in licensing fees as a result of increase in collection agencies instituted by Department of Transport
Commissions received	7,145,863	6,174,438	(971,425)	(13.59%)	Market sales down due to economic trends
Other income - (rollup)	788,864	3,086,087	2,297,223	291.21%	Higher than anticipated income based on increase in insurance refunds and staff recoveries
Interest received - investment	1,900,000	2,944,162	1,044,162	54.96%	Interest higher than anticipated based on investments made
Gains on disposal of PPE	100,000	3,147	(96,853)	(96.85%)	More losses on assets than anticipated during the financial year
Total revenue from exchange transactions	97,469,096	93,456,396	(4,012,700)	(4.12%)	
Non-exchange revenue					

Sedibeng District Municipality

Financial Statements for the year ended 30 June, 2019

Notes to the Financial Statements

Actual versus Budget (revenue and Expenditure) for the year ended 30 June 2019

Figures in Rand	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	% Variance	Explanation of Significant Variances greater than 10% versus Budget
Licenses and permits	1,500,000	125,000	(1,375,000)	(91.67%)	Decrease in licensing fees as a result of implementation of the Air quality management act in the previous year
Government grants & subsidies	278,713,386	277,892,099	(821,287)	(0.29%)	
Total revenue from non-exchange transactions	280,213,386	278,017,099	(2,196,287)	(0.78%)	
Total revenue	377,682,482	371,473,495	(6,208,987)	(1.64%)	
Expenditure					
Personnel	(260,289,861)	(264,063,505)	(3,773,644)	(1.45%)	
Remuneration of councillors	(13,126,300)	(13,347,978)	(221,678)	(1.69%)	
Depreciation	(11,620,103)	(15,714,687)	(4,094,584)	(35.24%)	
Debt Impairment	-	(8,777,064)	(8,777,064)	-	No budget was provided for impairment
Contracted Services	(59,928,996)	(58,519,037)	1,409,959	2.35%	
Transfers and Subsidies	(9,288,000)	(9,461,526)	(173,526)	(1.87%)	
General Expenses	(47,510,751)	(50,223,696)	(2,712,945)	(5.71%)	Higher than anticipated municipal services accounts
Total expenditure	(401,764,011)	(420,107,493)	(18,343,482)	(4.57%)	Refer to note 39
Operating deficit	(24,081,529)	(48,633,998)	(24,552,469)	(101.96%)	