



OR Tambo District Municipality
(Registration number : DC15)
Consolidated Annual Financial Statements
for the year ended 30 June 2021

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2021

General Information

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

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Abbreviations and definitions

GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
VAT	Value Added Tax
AFS	Annual Financial Statements
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
RBIG	Regional Bulk Infrastructure Grant
WSIG	Water Services Infrastructure Grant
IGRAP	Interpretations of Generally Recognised Accounting Practice
EPWP	Expanded Public Works Programme
MDRG	Municipal Disaster Relief Grant
SITA	State Information Technology Agency
Controlled entity	An entity, including an unincorporated entity such as a partnership, that is controlled by another entity
Controlling entity	An entity that has one or more controlled entities
Economic entity	A group of entities comprising a controlling entity and one or more controlled entities

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General Information

EXECUTIVE MAYOR:

Cllr Sokanyile T.

SPEAKER:

Nkompela X.D.

MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor

Cllr Sokanyile T.

Deputy Executive Mayor

Cllr Nogumla R.Z.

MMC: Water and Sanitation Services

Cllr Ngqongwa N.

MMC: Budget and Treasury Office & Internal Audit

Cllr Giyose R.M.

MMC: Corporate Services

Cllr Mdledle N.

MMC: Community Services

Cllr Mdoda N.Z.

MMC: Rural Economic Development Programme

Cllr Zozo D.

MMC: Human Settlement & Disaster Management

Cllr Mjokovana D.

MMC: Special Programmes & Social Services

Cllr Godongwana S.

MMC: IGR, Planning, Research & Policy Development

Cllr Dambuza M. B.

MMC: Technical Services

Cllr Sabona J.

GRADING OF THE LOCAL AUTHORITY:

Grade 5

AUDITORS:

External:

Auditor-General South Africa

Internal:

Own Staff

PRIMARY BANKER:

First National Bank

REGISTERED OFFICE:

Magwa House

Private Bag X6043

Nelson Mandela Drive

MTHATHA

MTHATHA

5099

5099

Telephone: (047) 501-6400; Facsimile: (047) 501-6455

E-Mail: ortambodm@ortambodm.org.za

Website: www.ortambodm.gov.za

ACTING MUNICIPAL MANAGER

N. Myanda (047) 501-6400

nyamekam@ortambodm.gov.za

CHIEF FINANCIAL OFFICER

M.E. Moleko (047) 501-6446

moabim@ortambodm.gov.za

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Consolidated Annual Financial Statements for the year ended 30 June 2021

General Information

1. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

The consolidated annual financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) as well as relevant interpretations, guidelines and directives issued by the Accounting Standards Board.

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

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

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I have reviewed the municipality's cash flow forecast for the year 2021/2022 and, in the light of this review and the current financial position, I am satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the municipality is a going concern and that the OR Tambo District Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

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Consolidated Annual Financial Statements for the year ended 30 June 2021

General Information

1. APPROVAL OF FINANCIAL STATEMENTS (Continued)

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

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

The National Treasury withheld the equitable share and all other conditional grants for the 2021/22 financial year due to the instability in the municipality. On the 20 August 2021 section 139(1)c of the constitution was implemented and the administrator was introduced by MEC for EC COGTA. The decision to implement section 139(1)c was temporarily overturned by Mthatha high court on the 26 August 2021.

The external auditor, being the Auditor General of South Africa, is responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page xx.

The consolidated annual financial statements set out on pages 7 to 84, which have been prepared on the going concern basis, were approved on 30 September 2021



N. MNYANDA

ACTING MUNICIPAL MANAGER

30 SEPTEMBER 2021



M.E. MOLEKO

CHIEF FINANCIAL OFFICER

30 SEPTEMBER 2021

OR Tambo District Municipality

(Registration number : DC15)

Consolidated Annual Financial Statements for the year ended 30 June 2021

Members of the Council

COUNCILLOR	PARTY	PARTY REP.	LM REP.	
Bara B.	DA	No	Yes	
Beqezi N.	ANC	Yes	No	
Bokwe F.	ANC	No	Yes	
Bontsa E.S.	DA	No	Yes	
Bunzana M.	UDM	No	Yes	
Cube Z.	DA	No	Yes	
Cwecwe N.	ANC	No	Yes	
Dambuza M.B.	ANC	Yes	No	
Dudumayo B.R.	UDM	Yes	No	
Dumisa T.V.	ANC	No	Yes	
Fono N.	ANC	No	Yes	
Gaxeni F.	ANC	No	Yes	
Gcinindawo N.	ANC	No	Yes	
Giyose R.M.	ANC	Yes	No	
Godongwana S.	ANC	Yes	No	
Gqetywa N.I.	ANC	No	Yes	
Gqwetha B.	UDM	No	Yes	
Gusana Z.	ANC	No	Yes	
Mabasa S.N.	DA	No	Yes	
Mabongo L.	ANC	Yes	No	
Madwantsi P.	ANC	No	Yes	
Malghas B.	MARRA	No	Yes	
Malghas U.	ANC	No	Yes	
Malindi A.X.	ANC	Yes	No	
Mandita K.D.	ANC	Yes	No	
Maqhajini L.	EFF	Yes	No	
Matanzima S.	ANC	No	Yes	
Mbangatha N.	ANC	No	Yes	
Mchithakali N.	ANC	No	Yes	
Mdlele N.	ANC	Yes	No	
Mdoda N.Z.	ANC	Yes	No	
Mgaweni T.	ANC	No	Yes	
Mjoji L.	AIC	Yes	No	
Mjokovana D.	ANC	No	Yes	
Mkontwana N.	ANC	No	Yes	
Msakeni M.	ANC	No	Yes	
Myolwa D.J.	ANC	Yes	No	Resigned on the 19/02/21
Mziba L.	ANC	No	Yes	
Mzimane N.F.	UDM	No	Yes	
Ndabeni M.	ANC	Yes	No	Replaced councillor Myolwa D.J. on the 25/02/21
Ndude L.M.	UDM	Yes	No	
Ngozi W.	ANC	Yes	No	
Ngqongwa N.	ANC	No	Yes	

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Members of the Council

Nkani N.	ANC	No	Yes
Nkompela X.	ANC	Yes	No
Nogumla R.Z.	ANC	Yes	No
Nokhanda B.	ANC	Yes	No
Ntunktezi L.S.	ANC	No	Yes
Pato T.Z.	CI	Yes	No
Pepping P.N.	ANC	Yes	No
Qangani S.	ANC	No	Yes
Qaqa M.S.	ANC	No	Yes
Rolobile I.	ANC	No	Yes
Sabisa T.N.	ANC	Yes	No
Sabona J.	ANC	Yes	No
Sokanyile T.	ANC	Yes	No
Tshotsho L.	EFF	No	Yes
Xangayi C.T.	DA	Yes	No
Zozo D.M.	ANC	No	Yes

I certify that the salaries, allowances and benefits of councillors as disclosed in note 30 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998 and the Minister of Provincial and Local Government's determination in accordance with the Act.



N. MNYANDA

ACTING MUNICIPAL MANAGER

30 SEPTEMBER 2021

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Executive Mayor Foreword

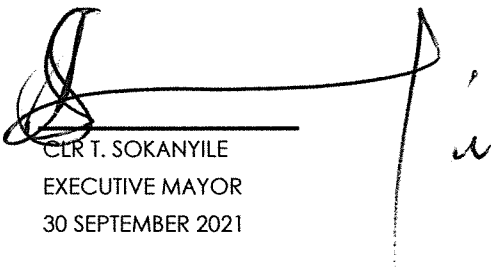
It is my pleasure to present the O.R. Tambo District Municipality's Consolidated Annual Financial Statements for the year ended 30 June 2021. The statements, when read together with the annual report, provide a measure of the progress made by the municipality towards the implementation of the Integrated Developmental Plan (IDP) which is a consultative document between the Council and its inhabitants.

The statements are the tools and instrument to deepen democracy and promote collaboration as well as interface with stakeholders. In presenting these financial statements, I would like to take this opportunity to thank the municipal leadership, both politically and administratively, for the efforts made in advancing the will of the people. I would further wish to thank the authors of the statements specifically the Budget and Treasury Office team, without undermining the role played by the entire staff of the organisation as this is an organisational matter. I therefore encourage that we continue without work of ensuring that those in the state institutions must be able to account to the communities and stakeholders.

Despite all the challenges faced by the municipality, during the 2020/21 financial year O.R. Tambo District Municipality continued to deliver equitable services to its inhabitants.

With our financial and human resources stretched, we try to stretch every cent to reach more people and attain more value from money. Growing the economy is one of our strategic priorities. We continually seek partnerships in the development of our municipality, both in the public and the private sector. We appreciate the need to foster strong partnerships across all spheres of government and to nurture our partnerships with our stakeholders and communities, and to remain relevant and accessible to these stakeholders. We seek to create a platform where community issues, such as new ideas for development or service delivery challenges, can be addressed. We are committed to principles of good governance and our goal is to remain transparent in the process of executing our responsibilities. We are also committed to the enhancement of our governance process and we wish to translate this into tangible results. These results will include strong financial controls, improved financial performance and, most importantly, the attainment of an unqualified audit opinion.

To achieve all the above, we require improved performance, both politically and administratively, strict adherence to government policy, effective implementation of council resolutions from administration and unwavering support from our communities. It is every citizen's civic duty to ensure that the greater good of society is protected, harnessed and nurtured. It is in the best interest of each person from our region to unite behind a common purpose of seeing rapid economic growth which results in the creation of new jobs, new business opportunities and safe communities to live in.



CLR T. SOKANYILE
EXECUTIVE MAYOR
30 SEPTEMBER 2021

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	Economic Entity		Controlling Entity	
		2021	2020 Restated*	2021	2020 Restated*
CURRENT ASSETS					
Inventories	2	16,338,779	10,802,349	12,278,737	7,566,477
Receivables from Exchange Transactions	3	156,583,261	120,698,983	160,618,254	125,370,257
Receivables from Non-exchange Transactions	4	2,983,600	2,030,098	1,786,130	1,034,990
Prepayments	5	66,749,253	127,105,158	66,448,997	126,912,561
VAT Receivable	6	34,611,833	53,661,624	34,611,833	53,661,624
Cash and Cash Equivalents	7	400,712,379	336,234,058	397,403,054	322,955,526
		677,979,105	650,532,269	673,147,005	637,501,435
NON-CURRENT ASSETS					
Property, Plant and Equipment	8	7,179,050,334	6,873,489,787	7,124,080,517	6,814,069,515
Intangible Assets	9	1,614,007	2,656,546	1,130,485	1,985,318
Heritage Assets	10	247,025	247,025	247,025	247,025
Biological Assets	11	13,173,660	15,089,530	-	-
Deferred tax	12	7,219,551	7,219,551	-	-
		7,201,304,577	6,898,702,439	7,125,458,027	6,816,301,858
TOTAL ASSETS		7,879,283,682	7,549,234,708	7,798,605,032	7,453,803,293
CURRENT LIABILITIES					
Consumer Deposits	13	3,694,728	3,449,431	3,694,728	3,449,431
Employee Benefit Liabilities - Current portion	14	7,894,000	5,030,000	7,894,000	5,030,000
Payables from Exchange Transactions	15	484,806,998	438,535,957	481,536,500	428,114,902
Payables from Non-exchange Transactions	16	164,271,206	13,007,078	163,824,231	12,560,100
Unspent Conditional Grants and Receipts	17	247,795,657	447,759,417	247,593,088	447,434,657
VAT Payable	18	8,589,316	4,751,980	-	-
Current Portion of Long-term Liabilities	19	296,953	87,536	-	-
		917,348,857	912,621,399	904,542,547	896,589,090
NON-CURRENT LIABILITIES					
Long - term liabilities	20	67,281	122,420	-	-
Employee Benefit Liabilities	21	143,524,861	118,938,861	143,524,861	118,938,861
		143,592,142	119,061,281	143,524,861	118,938,861
TOTAL LIABILITIES		1,060,941,000	1,031,682,680	1,048,067,408	1,015,527,951
Net Assets		6,818,342,682	6,517,552,028	6,750,537,624	6,438,275,342
Accumulated surplus / (Deficit)	22	6,818,342,682	6,517,552,028	6,750,537,624	6,438,275,342
		6,818,342,682	6,517,552,028	6,750,537,624	6,438,275,342

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Statement of Financial Performance

Figures in Rand	Note(s)	Economic Entity		Controlling Entity	
		2021	2020 Restated*	2021	2020 Restated*
REVENUE					
Revenue from Exchange Transactions					
Service Charges	23	300,164,216	274,834,301	300,164,216	274,834,301
Rental of Facilities and Equipment	24	323,478	698,817	7,170	36,582
Interest Earned - External Investments	25	15,656,903	27,207,752	15,461,947	26,822,232
Interest Earned - Outstanding Debtors	25	24,970,985	27,544,912	24,970,985	27,544,912
Operational revenue	26	16,498,461	13,731,350	1,637,882	371,136
Income from Agency Services	27	631,100	1,096,070	217,997	186,995
Total revenue from exchange transactions		358,245,143	345,113,202	342,460,197	329,796,158
Revenue from Non-exchange Transactions					
Transfer revenue					
Transfers and Subsidies Received	28	1,761,231,299	1,702,154,073	1,760,524,167	1,702,064,141
Total revenue from non-exchange transactions		1,761,231,299	1,702,154,073	1,760,524,167	1,702,064,141
Total revenue		2,119,476,442	2,047,267,275	2,102,984,364	2,031,860,299
EXPENDITURE					
Employee Related Costs	29	(805,979,294)	(735,797,269)	(760,897,092)	(690,766,204)
Remuneration of Councillors and Board Members	30	(21,211,997)	(22,244,133)	(20,384,515)	(21,312,027)
Depreciation and Amortisation	31	(241,813,993)	(231,958,187)	(236,398,952)	(226,492,149)
Impairment Losses	32	(33,856,165)	(128,824,502)	(33,764,752)	(128,724,209)
Bad Debts Written off	33	(19,587,153)	(10,766,969)	(19,587,153)	(10,766,969)
Finance Costs	34	(16,514,765)	(12,681,121)	(16,417,179)	(12,611,101)
Bulk Purchases	35	(42,386,303)	(54,855,812)	(42,386,303)	(54,855,812)
Contracted Services	36	(133,441,419)	(179,044,514)	(132,785,084)	(181,272,635)
Transfers and Subsidies	37	(266,781,313)	(134,293,671)	(310,795,230)	(177,636,735)
Inventory Consumed	38	(32,024,973)	(46,120,450)	(19,786,313)	(36,313,260)
Operational Costs	39	(202,192,073)	(222,833,918)	(192,198,624)	(210,779,611)
Total expenditure		(1,815,789,447)	(1,779,420,546)	(1,785,401,197)	(1,751,530,712)
Operating surplus		303,686,994	267,846,729	317,583,167	280,329,587
Reversal of Impairment	40	-	678,654	-	678,654
Loss on Disposal of Property, Plant and Equipment		(54,863)	-	-	-
Gains on Disposal of Property, Plant and Equipment	9	50,116	27,569	50,116	22,839
Adjustments to Biological Assets		2,479,407	6,363,367	-	-
Actuarial Gain / (Loss)	21	(5,371,000)	13,256,000	(5,371,000)	13,256,000
		(2,896,340)	20,325,590	(5,320,884)	13,957,493
Income tax		-	-	-	-
Surplus for the year		300,790,654	288,172,320	312,262,282	294,287,080

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Accumulated surplus	Total net assets
Economic Entity			
Balance at 01 July 2019		6,231,086,307	6,231,086,307
Correction of errors	46	(1,706,599)	(1,706,599)
Restated* Balance at 01 July 2019		6,229,379,708	6,229,379,708
Restated* Surplus for the year		288,172,320	288,172,320
Restated* Balance at 30 June 2020		6,517,552,028	6,517,552,028
Surplus for the year		300,790,654	300,790,654
Balance at 30 June 2021		6,818,342,682	6,818,342,682
Controlling Entity			
Balance at 01 July 2019		6,145,694,861	6,145,694,861
Correction of errors	46	(1,706,599)	(1,706,599)
Restated* Balance at 01 July 2019		6,143,988,262	6,143,988,262
Restated* Surplus for the year		294,287,080	294,287,080
Restated* Balance at 30 June 2020		6,438,275,342	6,438,275,342
Surplus for the year		312,262,282	312,262,282
Balance at 30 June 2021		6,750,537,624	6,750,537,624

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Cash Flow Statement

Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
Cash flows from operating activities				
Receipts				
Service Charges	235,865,611	152,929,661	235,865,611	152,929,661
Interest income	27,294,158	33,555,743	27,099,202	33,170,223
Operational receipts	32,906,573	34,388,254	23,584,458	10,466,127
Transfers and subsidies	1,609,667,588	1,896,354,144	1,621,146,162	1,893,481,621
	1,905,733,930	2,117,227,802	1,907,695,433	2,090,047,632
Payments				
Employee related costs	(800,600,776)	(727,228,643)	(754,691,092)	(682,398,395)
Remuneration of Councillors	(20,384,515)	(21,312,027)	(20,384,515)	(21,312,027)
Finance Costs	(641,765)	(575,121)	(544,179)	(505,101)
Suppliers Paid	(144,807,271)	(203,326,935)	(126,462,049)	(177,777,179)
Other payments	(315,278,644)	(373,093,986)	(371,516,042)	(419,518,639)
	(1,281,712,970)	(1,325,536,712)	(1,273,597,877)	(1,301,511,341)
Net cash flows from operating activities	624,020,960	791,691,091	634,097,556	788,536,291
Cash flows from investing activities				
Purchase of property, plant and equipment	(560,515,231)	(736,422,436)	(559,750,761)	(735,748,941)
Proceeds on Disposal of Fixed Assets	156,846	233,668	100,733	216,557
Purchase of other intangible assets	(68,523)	(310,958)	-	(178,000)
Purchase of Biological assets	(2,096,900)	(947,785)	-	-
Proceeds on Disposal of Biological assets	2,826,890	5,456,129	-	-
Net cash flows from investing activities	(559,696,918)	(731,991,381)	(559,650,028)	(735,710,384)
Cash flows from financing activities				
(Repayments) / Acquisitions of Long term loans	377,094	(147,769)	-	-
(Decrease) / Increase in Long-term receivables	(222,815)	270,189	-	-
Net cash flows from financing activities	154,279	122,420	-	-
Net increase/(decrease) in cash and cash equivalents	64,478,321	59,822,129	74,447,528	52,825,907
Cash and cash equivalents at the beginning of the year	336,234,057	276,411,928	322,955,526	270,129,619
Cash and cash equivalents at the end of the year	400,712,379	336,234,057	397,403,054	322,955,526

NB: Refer to note 65 for Cash flow workings.

OR Tambo District Municipality

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Ref.
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	367,302,470	-	367,302,470	300,164,216	67,138,254	C01
Rental of fixed assets	867,337	-	867,337	323,478	543,859	C02
Interest received (trading)	61,765,576	(5,000,000)	56,765,576	40,627,888	16,137,688	C03
Operational revenue	339,410,391	-	339,410,391	16,498,461	322,911,930	C04
Income from Agency Services			-	631,100	(631,100)	C05
Total revenue from exchange transactions	769,345,774	(5,000,000)	764,345,774	358,245,143	406,100,631	
Revenue from non-exchange transactions						
Transfers and subsidies	1,982,902,181	121,682,998	2,104,585,179	1,761,231,299	343,353,880	C06
Total revenue from non-exchange transactions	1,982,902,181	121,682,998	2,104,585,179	1,761,231,299	343,353,880	
Total revenue	2,752,247,955	116,682,998	2,868,930,953	2,119,476,442	749,454,511	
Expenditure						
Employee Related Costs	(680,160,045)	(90,286,731)	(770,446,776)	(805,979,294)	35,532,518	C07
Remuneration of Councillors and Board members	(24,075,294)	1,743,967	(22,331,327)	(21,211,997)	(1,119,330)	C08
Depreciation and Amortisation	(176,963,581)	11,345,439	(165,618,142)	(241,813,993)	76,195,851	C09
Impairment Losses	(160,430,386)	63,000,000	(97,430,386)	(33,856,165)	(63,574,221)	C10
Bad Debts Written off	-	-	-	(19,587,153)	19,587,153	C10
Finance Costs	-	-	-	(16,514,765)	16,514,765	C11
Bulk Purchases	(37,353,525)	-	(37,353,525)	(42,386,303)	5,032,778	C12
Contracted Services	(238,552,395)	(401,925)	(238,954,320)	(133,441,419)	(105,512,901)	C13
Transfers and subsidies	(113,676,793)	6,704,477	(106,972,316)	(266,781,313)	159,808,997	C14
Inventory Consumed	(45,053,543)	3,820,016	(41,233,527)	(32,024,973)	(9,208,554)	C15
General Expenses	(286,820,593)	46,601,945	(240,218,648)	(202,192,073)	(38,026,575)	C16
Total expenditure	(1,763,086,155)	42,527,188	(1,720,558,967)	(1,815,789,447)	95,230,480	
Operating surplus	989,161,800	159,210,186	1,148,371,986	303,686,994	844,684,992	
Reversal of Impairment	(150,000)	-	(150,000)	-	(150,000)	C17
Loss on Disposal of Property, Plant and Equipment	2,140,000	-	2,140,000	(54,863)	2,194,863	C18
Gains on Disposal of Property, Plant and Equipment	-	-	-	50,116	(50,116)	C19
Adjustments to Biological Assets	-	-	-	2,479,407	(2,479,407)	C20
Actuarial Gain / (Loss)	-	-	-	(5,371,000)	5,371,000	C21
	1,990,000	-	1,990,000	(2,896,340)	4,886,340	
Surplus for the year	991,151,800	159,210,186	1,150,361,986	300,790,654	849,571,332	

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Ref.
Statement of Financial Position						
ASSETS						
CURRENT ASSETS						
Inventories	19,294,057	-	19,294,057	16,338,779	2,955,278	D01
Receivables from Exchange Transactions	85,632,334	-	85,632,334	156,583,261	(70,950,927)	D02
Receivables from Non-exchange Transactions	-	-	-	2,983,600	(2,983,600)	D03
Prepayments	-	-	-	66,749,253	(66,749,253)	D04
VAT Receivable	-	-	-	34,611,833	(34,611,833)	D05
Cash and Cash Equivalents	246,774,362	(28,642,545)	218,131,817	400,712,379	(182,580,562)	D06
	351,700,753	(28,642,545)	323,058,208	677,979,105	(354,920,897)	
NON-CURRENT ASSETS						
Property, Plant and Equipment	9,139,199,287	170,208,004	9,309,407,291	7,179,050,334	2,130,356,957	D07
Intangible Assets	16,832,018	(3,500,001)	13,332,017	1,614,007	11,718,010	D08
Investment Property	2,200,000	-	2,200,000	-	2,200,000	D09
Heritage Assets	250,000	-	250,000	247,025	2,975	D10
Biological Assets	-	-	-	13,173,660	(13,173,660)	D11
Deferred tax	-	-	-	7,219,551	(7,219,551)	D12
	9,158,481,305	166,708,003	9,325,189,308	7,201,304,577	2,123,884,731	
TOTAL ASSETS	9,510,182,058	138,065,458	9,648,247,516	7,879,283,682	1,768,963,834	
CURRENT LIABILITIES						
Consumer Deposits	3,745,000	-	3,745,000	3,694,728	50,272	D13
Employee Benefit Liabilities - Current portion	-	-	-	7,894,000	(7,894,000)	D14
Payables from Exchange Transactions	101,915,877	91,357,455	193,273,332	484,806,998	(291,533,666)	D15
Payables from Non-exchange Transactions	-	-	-	164,271,206	(164,271,206)	D15
Unspent Conditional Grants and Receipts	-	-	-	247,795,657	(247,795,657)	D16
VAT Payable	-	-	-	8,589,316	(8,589,316)	D17
Current Portion of Long-term Liabilities	121,599,136	-	121,599,136	296,953	121,302,183	D18
	227,260,013	91,357,455	318,617,468	917,348,857	(598,731,390)	
NON-CURRENT LIABILITIES						
Long-term Liabilities	-	-	-	67,281	(67,281)	D19
Employee Benefit Liabilities	-	-	-	143,524,861	(143,524,861)	D20
	-	-	-	143,592,142	(143,592,142)	
TOTAL LIABILITIES	227,260,013	91,357,455	318,617,468	1,060,941,000	(742,323,532)	
NET ASSETS	9,282,922,045	46,708,003	9,329,630,048	6,818,342,682	2,511,287,366	
Accumulated surplus / (Deficit)	9,282,922,046	46,708,003	9,329,630,049	6,818,342,682	2,511,287,367	
	9,282,922,046	46,708,003	9,329,630,049	6,818,342,682	2,511,287,367	

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Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Ref.
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Service Charges	206,872,084	63,000,000	269,872,084	235,865,611	34,006,473	E01
Transfers and subsidies	1,982,902,181	121,682,998	2,104,585,179	1,609,667,588	494,917,591	E02
Interest income	61,765,576	(5,000,000)	56,765,576	27,294,158	29,471,418	E03
Other receipts	226,271,446	-	226,271,446	32,906,573	193,364,873	E04
	2,477,811,287	179,682,998	2,657,494,285	1,905,733,930	751,760,354	
Payments						
Suppliers and employees	(1,319,815,395)	(142,050,734)	(1,461,866,129)	(1,014,289,893)	(447,576,236)	E05
Finance Costs	-	-	-	(641,765)	641,765	E06
Transfers and Grants	(51,344,431)	(6,704,477)	(58,048,908)	(266,781,313)	208,732,405	E07
	(1,371,159,826)	(148,755,211)	(1,519,915,037)	(1,281,712,970)	(238,202,067)	
Net cash flows from operating activities	1,106,651,461	30,927,787	1,137,579,248	624,020,960	513,558,288	
Cash flows from investing activities						
Purchase of property, plant and equipment	(1,071,949,954)	(166,708,003)	(1,238,657,957)	(560,515,231)	(678,142,726)	E08
Proceeds on Disposal of Fixed Assets	-	-	-	156,846		E09
Purchase of other intangible assets	-	-	-	(68,523)	68,523	E10
Purchase of Biological assets	-	-	-	(2,096,900)	2,096,900	E11
Proceeds on Disposal of Biological assets	-	-	-	2,826,890	(2,826,890)	E12
Net cash flows from investing activities	(1,071,949,954)	(166,708,003)	(1,238,657,957)	(559,696,918)	(678,804,193)	
Cash flows from financing activities						
(Repayments) / Acquisitions of Long term loans	-	-	-	377,094	(377,094)	E13
(Decrease) / Increase in Long-term receivables	-	(3,745,000)	(3,745,000)	(222,815)	(3,522,185)	E13
Net cash flows from financing activities	-	(3,745,000)	(3,745,000)	154,279	(3,899,279)	
Net increase/(decrease) in cash and cash equivalents	34,701,507	(139,525,216)	(104,823,709)	64,478,321	(169,145,184)	
Cash and cash equivalents at the beginning of the year	322,955,526		322,955,526	336,234,057	(13,278,531)	
Cash and cash equivalents at the end of the year	357,657,033	(139,525,216)	218,131,817	400,712,378	(182,423,715)	

STATEMENT OF FINANCIAL PERFORMANCE

- C01 Service Charges** - The budget amount was based on prior year total plus 6% increase. Through the process of continuous data cleansing including the decision not to bill RDP houses resulted in less revenue than originally anticipated.
- C02 Rental of fixed assets** - Hall was hired less than anticipated as a result of lockdown regulations prohibiting mass gatherings.
- C03 Interest Received** - Downward adjustment of Conditional grants together with unspent funds deducted from the equitable share during the year resulted in less funds available for investment and earning interest.
- C04 Operational revenue** - Budget includes VAT and reserves whilst in GRAP. VAT is in accounts receivable and reserves in cash flow.
- C05 Income from Agency Services** - Commission from the garnishee budgeted for under Operational revenue.
- C06 Transfers and subsidies** - The decrease in Transfers and subsidies can be attributed to unspent grants.
- C07 Employee Related Costs** - The variance is less than 5% therefore regarded as immaterial.
- C08 Remuneration of Councillors and Board** - Increment budgeted for was more than the actual increment on the Councillors.
- C09 Depreciation and amortisation** - The increase was mainly due to adjustment of infrastructure assets with completed assets subsequent to the WIP register clean-up conducted during the current year.
- C10 Impairment Losses** - The budget for impairment includes Debtors Impairment, Bad Debts Written-off and Asset Impairment. The variance is due to the fact that consumer debtors did not accept the settlement offers by the municipality which would have resulted in huge amount of write-offs.
- C11 Finance costs** - Finance cost includes interest cost on post employee benefits and interest paid on overdue accounts. The interest cost relating to post employee benefits was budgeted for under Employee related cost while the interest paid on overdue accounts was not budgeted for.
- C12 Bulk Purchases** - The variance is mainly due to increase in water purchases as a result of in consumption.
- C13 Contracted Services** - The variance is mainly due to decrease to payments of consultants and contractors as well as lockdown period.
- C14 Transfers and Subsidies** - The variance is mainly due to the fact that the actual amounts include project expenditure (VIP toilets) budgeted for under Operational costs

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts	Variance	Ref.
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STATEMENT OF FINANCIAL PERFORMANCE (Continued)

C15	Inventory Consumed - The actual expenditure was less than what the municipality projected during budgeting, secondly some of the inventory purchased during the year was still not consumed at year end.
C16	Operational Costs - The variance is mainly attributed to project expenditure (VIP toilets) accounted for under Transfers and Subsidies but budgeted for under this item.
C17	Reversal of Impairment - There was no impairment reversal in the current year.
C18	Loss on disposal of Assets - There was no budget for gains or losses on disposal as the municipality was not expecting to dispose any assets. Disposals were as a result of vehicles damage in accidents.
C19	Gains on disposal of Assets - Not budgeted for.
C20	Adjustments to Biological Assets - Not budgeted for.
C21	Actuarial Gains / Losses - Actuarial losses are budgeted for under Employee related costs

STATEMENT OF FINANCIAL POSITION

D01	Inventory - the municipality implemented a just-in-time procurement system in order to avoid overstocking and this resulted in less inventory at year end.
D02	Receivables from Exchange Transactions - Variance is mainly due to non-payments of accounts by debtors
D03	Receivables from non exchange - budgeted for under receivables from exchange.
D04	VAT Receivable - National Treasury template for the budget not aligned to GRAP and the VAT is included on receivable from non exchange
D05	Cash and Cash Equivalent - The variance is mainly due to Unspent grants.
D06	Prepayments - Not budgeted for.
D07	Property Plant and Equipment - Budget includes the all MIG expenditure whilst in actual outcomes, only includes expenditure that meets the PPE criteria
D08	Intangible Assets - Certain Solar system modules planned to be purchased during the current year were not purchased.
D09	Investment Property - Investment property was fully impaired resulting in zero balance since 2019.
D10	Heritage Assets - Variance of 1% is regarded as immaterial.
D11	Biological Assets - The variance is caused by livestock transferred to inventory.
D12	Deferred tax - Not budgeted for.
D13	Consumer Deposits - Variance of 1% is regarded as immaterial.
D14	Employee Benefit Liabilities - Both Current and Long-term Portion were budgeted for under Long current portion. The post employment benefit provision per the actuarial valuation in the current year was higher than expected.
D15	Payables from exchange transactions - The were less accruals / creditors at year than what was anticipated, delays in procurement also resulted in expenditure reduction particularly on capital projects. Secondly the budget included the funds to be paid back to the National Treasury.
D15	Payables from Non-exchange Transactions - The Municipality negotiated with the National Treasury to pay back R150 000 000 in 2021/22 financial year and this was budgeted for under Payable from Exchange but the actual balance recorded under non-exchange payables.
D16	Unspent Conditional Grants - Not budgeted for as the municipality was not anticipating under-expenditure.
D17	VAT Payable - This is as a result of VAT portion on Ntinga grant invoices not yet paid over to Ntinga by ORT.
D18	Current Portion of Long-term Liabilities -
D19	Long-term Liabilities - The variance is attributed to the long-term portion of the liability that arose from the acquisition of computer equipment through leasing and the original plan was to buy them instead of leasing.
D20	Employee Benefit Liabilities (Long-Term) - Post employment benefit provision per the actuarial valuation in the current year was higher than expected.

CASH FLOW STATEMENT

E01	Service Charges - Actual collections on water and sanitation services were less than budgeted for due to non-payment of debtors.
E02	Transfers and subsidies - The variance was due to high unspent grants.
E03	Interest Received - The variance is as a result of low interest rates offered by banks on investments.
E04	Other Receipts - VAT refunds less than budgeted for due to unspent grants
E05	Suppliers and employees - The municipality paid less that expected due to unspent grants and delays in procurement processes.
E06	Finance Costs - Not budgeted for.
E07	Transfers and Grants - The actual expenditure was more than anticipated.
E08	Purchase of property plant and equipment - Underspending is mainly due to the classification treatment of MIG spending on VIP toilets. In budget, the total spending on MIG is classified as capital expenditure whilst in the AFS, only expenditure that meets the asset criteria are capitalised. MIG spending on VIP toilets do not meet the asset criteria hence the difference.
E09	Proceeds on Disposal of Fixed Assets - Not budgeted for, Ntinga was not expecting to dispose off the assets in the current year.
E10	Purchase of other intangible assets - Budgeted for under Property, Plant and Equipment budget.
E11	Purchase of Biological assets - Budgeted for under Property, Plant and Equipment budget.
E12	Proceeds on Disposal of Biological assets - Not budgeted for.

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), as approved by the Minister of finance, including any interpretations, guidelines and directives issued by the Accounting Standard Board and the Municipal Finance Management Act (Act 56 of 2003).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention, except where indicated otherwise. They are presented in South African Rand.

1.1 Changes in Accounting policy and comparability

Accounting policies have been consistently applied unless it has been indicated otherwise.

For the years ended 30 June 2021 and 30 June 2020 the municipality adopted the framework as set out in paragraph 1 above. The details of any resulting changes in Accounting policy and comparative restatements are set out below and in the relevant notes to the financial statements.

Where a standard of GRAP is approved and effective, it replaces the equivalent of International Public sector accounting Standard, International Financial Reporting Standards or SA Generally accepted Accounting Practice. Where a standard of GRAP has been issued but is not yet effective, the municipality may select to apply the principles established in that standard in developing appropriate Accounting Policies, Changes in Accounting

1.2 Critical Judgement, Estimates and Assumptions

In the application of the municipality's Accounting policies, which are described below, management is required to make judgments, estimates and assumptions about the carrying amounts and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments and estimates that the management have made in the process of applying the municipality's Accounting Policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

Revenue Recognition

Accounting policy 1.16 on revenue from exchange transactions and Accounting policy 1.16 on revenue from non-exchange transactions describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9 (Revenue from exchange transactions) and GRAP 23 (Revenue from non-exchange transactions). As far as Revenue from Exchange transactions is concerned, management considers whether the municipality when goods are sold had transferred the significant risks and rewards of ownership of the goods and when service is rendered, whether the service has been rendered. Also of importance is the estimation process involved in initially measuring revenue at the fair value thereof. Management of the municipality is satisfied that the revenue in the current year is appropriate.

Financial Assets and liabilities

The classification of Financial Assets and Liabilities, into categories, is based on judgement. Accounting Policy 1.14 on Financial Assets Classification and Accounting Policy 1.14 on Financial Liabilities Classification describe the factors and criteria considered by the management of the municipality in the classification of Financial Assets and Liabilities.

In making the above-mentioned judgement management considered the definition and recognition criteria for the classification of financial instruments as set out in GRAP 104 (Financial Instruments).

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.2 Critical Judgement, Estimates and Assumptions (continued)

Impairment of Financial Assets

Accounting policy 1.13 on Impairment of financial assets describes the process followed to determine the value at which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in GRAP 104 (Financial Instruments) and used its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. The management of the municipality is satisfied that impairment of Financial assets recorded during the year is appropriate

Impairment of Trade receivables:

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This is performed per service-identifiable categories across all classes of debtors.

The total increase in estimation of the impairment of receivables from exchange transactions and that of receivables from non-exchange transactions are disclosed in notes 3 and 4 to the Annual Financial Statement

Fair Value Estimations

As described in Accounting policy 1.12 the municipality subsequently measures its Biological assets in terms of the fair value model.

The valuation of assets are based on management's estimation. Management considered the impact of valuation techniques and market information in order to determine the valuations, and more specific as follows:

Biological Assets

The fair value less estimated point-of-sale costs used to value Biological assets requires management to make certain assumptions which are subject to change. The current assumptions are as follows:

- Cattle are valued at the prevailing market rates, as determined by breed, genetic, merit and age , less point-of-sale costs.
- Fruit trees, harvest and vegetables are valued by way of arms' length transaction that would have been applied / prevailing in replacing the existing fruit trees, harvest and vegetables with new fruit trees, harvest and vegetables.

Useful lives of Property, Plant and Equipment, Intangible assets and Investment Property

As described in Accounting policies 1.8.3 and 1.9.1, the municipality depreciates its Property, Plant and Equipment (excluding land) and amortises its Intangible assets, over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use.

The useful lives of the assets are based on management's estimation. Management considered the impact of technology, availability of capital funding, service requirements and required return on assets in order to determine the optimum useful life expectation, where appropriate.

The estimation of residual values of assets is based on the management's judgement as to whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time Impairment: Write-down of Property, Plant and Equipment, Intangible Assets and Investment Property.

Accounting policy 1.13 on impairment of assets, Accounting policy 1.9.1 on Intangible assets - Subsequent measurement, amortisation and impairment and Accounting policy 1.15 on inventory - Subsequent measurement describe the conditions under which non-financial assets are tested for potential impairment losses by the management of the municipality. Significant estimates and judgements are made relating to impairment testing of Property, Plant and Equipment, impairment testing of Intangible assets.

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Accounting Policies

In making the above-mentioned estimates and judgement, management considered the subsequent measurement criteria and indicators of potential impairment losses as set out in GRAP 21 (Impairment of Non-cash generating assets) and GRAP 26 (Impairment of Cash generating assets).

Estimated impairments during the year to Inventory, Property, Plant and Equipment, Intangible assets Investment Property and Heritage assets are disclosed in notes 2, 8, 9, and 10 to the Annual Financial statement, if applicable.

Water Inventory

The estimation of Water Inventory in reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the capacity of the reservoir. Furthermore, the length and width of all pipes are taken into account in determining the volume of the water on hand at year-end.

Defined Benefit Plan liabilities

As described in Accounting Policy 1.18 employee benefits - Post-employment benefits municipality obtains actuarial valuations of its Defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are post-retirement Health benefit obligations and Long-service awards. The estimated liabilities are recorded in accordance with the requirement of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant notes to the Annual Financial Statements.

Provisions and Contingent liabilities

Management's judgement is required when recognising and measuring provisions and when measuring Contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

Budget Information

Deviations between the budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the notes to the Annual Financial Statements.

1.3 Presentation currency

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

1.4 Going concern assumption

These annual financial statements have been prepared on a Going Concern Basis.

1.5 Offsetting

Assets, Liabilities Revenues and Expenses have not been offset except when offsetting is required or permitted by a standard of GRAP.

1.6 Estimates and Errors.

The municipality applied the principles established in the following standard of GRAP that have been issued but not yet effective, in developing appropriate Accounting Policies dealing with the following related party transactions, but have not yet adopted this standard.

1.7 Net Assets

Included in the Net assets of the municipality are the following reserves that are maintained in terms of specific requirements

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.8 Property, plant and equipment

1.8.1 Initial recognition

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

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the item can be measured reliably.

Property, plant and equipment is initially recognised at cost on its acquisition date or in the case of assets acquired by donations, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

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

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.8.2 Subsequent Measurement

Property, Plant and Equipment, excluding Buildings and Land

All property plant and equipment are subsequently measured at cost, less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to the property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.8.3 Depreciation

Depreciation on assets other than land is calculated on cost using the straight-line method, to allocate their cost amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Each part of an item of property, plant and equipment with a cost significant in relation to the cost item is depreciated separately.

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Accounting Policies

Depreciation only commences when the asset is available for use, unless stated otherwise. The depreciation rates are based on the following estimated useful lives:

Item	Depreciation method	Average useful life
Buildings - Improvements	Straight line	10 - 80 years
Plant and machinery	Straight line	2 - 20 years
Furniture and fittings	Straight line	5 - 20 years
Transport Assets	Straight line	5 - 15 years
Office equipment	Straight line	5 - 20 years
IT equipment - Computer Equipment	Straight line	1 - 5 years
Infrastructure		
□ Roads and Paving	Straight line	5 - 67 years
□ Sewerage	Straight line	5 - 100 years
□ Storm Water	Straight line	7 - 100 years
□ Water	Straight line	5 - 76 years
Emergency equipment	Straight line	5 - 10 years
Specialist Vehicles	Straight line	10 - 15 years
Bins and Containers	Straight line	5 years

The asset's residual values, estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively, if appropriate, at each reporting date. Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectation differ from the previous estimate.

1.8.4 Land

Land is stated at historical cost and is not depreciated as it is deemed to have an indefinite useful life.

1.8.5 Infrastructure

Infrastructure assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and impairment. Enrapture assets are treated similarly to all other assets of the municipality in terms of the asset management policy.

1.8.6 Incomplete Construction Work

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

1.8.7 Leased assets

Assets capitalised under finance lease are depreciated over their expected useful lives on the same basis as property, plant and equipment controlled by the municipality or, where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

1.8.8 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised.

Gains are classified as revenue.

Gains or losses are calculated as difference between the carrying value of assets (cost less accumulated depreciation and accumulated impairment losses) and the proceeds from disposal and are included in the Statement of Financial Performance as gain or loss on disposal of property, plant and equipment. Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in the Statement of Financial Performance when the compensation becomes receivable.

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1.9 Intangible assets

Identifiable non-monetary assets without physical substance are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is possible that the expected future economic benefits or service potential that attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense as it is incurred. Costs incurred on development projects (relating to the design and testing of the new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the asset so that it will be available for use.
- management intends to complete the intangible asset and use or sell it
- there is an ability to use or sell the intangible asset.
- it can be demonstrated how the intangible asset will generate probable future economic benefits.
- adequate technical, financial and other resources to complete the development and use or sell the intangible asset are available; and.
- the expenditure attributable to the asset during its development can be measured reliably.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use. Development assets are tested for impairment annually, in accordance with GRAP 21 and GRAP 26

Intangible assets are initially recognised at cost. The cost of an intangible asset is purchase price and other costs attributed to bring the intangible asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality, or where an intangible asset is acquired at not cost, or for a nominal cost shall be its fair value as at the date of acquisition. Trade discounts and rebates are deducted in arriving at the cost. The cost of an intangible asset acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could be measured at its value, its cost is measured at the carrying amount of the asset given up. If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

1.9.1 Subsequent Measurement, Amortisation and Impairment

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Expenditure on an intangible item that was initially recognised as an expense shall not be recognised as part of the cost of an intangible asset at a later date.

In terms of GRAP 31, intangible assets are distinguished between internally generated intangible assets and other intangible assets. It is further distinguished between indefinite or finite useful lives. Amortisation is charged on a straight-line basis over the intangible assets' useful lives. The residual value of intangible assets with finite lives is zero, unless an active market exists. Where intangible assets are deemed to have indefinite useful lives, such intangible assets are not amortised, however, such intangible assets are subject to an annual impairment test. Amortisation only commences when the asset is available for use, unless stated otherwise. The amortisation rates are based on the following estimated useful lives:

Item	Depreciation method	Average
Computer software	Straight line	4 -10 years

Intangible assets are annually tested for impairment as described in Accounting Policy 1.13 on Impairment of assets, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. The impairment loss is the difference between the carrying amount and the recoverable service amount.

The estimated useful life, residual values and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

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1.9.2 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the proceeds of disposal and the carrying value, and is recognised in the Statement of Financial Performance.

1.10 Investment property

1.10.1 Initial Recognition

Investment property includes property (land or a building, or both land and buildings held under a finance lease) held to earn rentals and / or for capital appreciation, rather than held to meet service objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at a cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at the date of completion, including all directly attributable borrowing costs. Based on management's judgement, the following criteria have been applied to distinguish investment property from owner occupied property or property held for resale:

- (a) Land held for long-term capital appreciation rather than for short-term sale in the ordinary course of operations;
- (b) Land held for a currently undetermined future use (if the municipality has not determined that it will use the land owner-occupied property for short-term sale in the ordinary course of operations, the land is recognised as held for capital appreciation);
- (c) A building owned by the municipality (or held by the municipality under a finance lease) and leased out under one or more operating leases on a commercial basis (this will include the property portfolio rented out on a commercial basis on behalf of the municipality);
- (d) A property owned by the municipality and leased out at a below market rental; and;
- (e) Property that is being constructed or developed for future use as investment property;

The rent earned does not have to be at a commercial basis or market related for the property to be classified as investment property

The following assets do not fall in the ambit of Investment Property and shall be classified as Property, Plant and Equipment, Inventory or Non-current Assets Held-for-Sale, as appropriate:

- (a) Property held for sale in the ordinary course of operations or in the process of construction or development for such sale;
- (b) Property being constructed or developed on behalf of third parties;
- (c) Owner-occupied property, including (among other things) property held for future use as owner-occupied property, property held for future development and subsequent use as owner-occupied property, property occupied by employees such as held for future development and subsequent use as owner-occupied property, property occupied by employees such as housing for personnel (whether or not the employees pay rent at market rates) and owner-occupied property awaiting disposal;
- (d) Property that is leased to another entity under a finance lease;
- (i) Property held to provide goods and services and also generates cash inflows; and;
- (ii) Property held for strategic purposes which would be accounted for in accordance with the Standard of GRAP on Property, Plant and Equipment;

1.10.2 Subsequent Measurement

Investment property is accounted for in accordance with the cost model as set out in GRAP 16 (at their cost prices less accumulated Depreciation and accumulated impairment losses). The municipality has no intention of selling its land and buildings and thus the Cost Model would represent the value of all land and buildings more fairly. The change has resulted in the municipality's Annual Financial Statements providing reliable and more relevant information about the value of Buildings and Land, based on the intended use of these assets in line with all valuation method of all other assets

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Depreciation is calculated on cost, using the Straight-line Method over the useful life of the property, which is estimated at 10 - 80 years. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The gain or loss arising on the disposal of an Investment Property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance

1.10.3 Derecognition

An Investment Property shall be derecognised (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal Property that is leased to another entity under a finance lease;

1.11 Heritage assets

A Heritage Asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance, and is held and preserved indefinitely for the benefit of present and future generations. Heritage Assets are not depreciated owing to uncertainty regarding to their estimated useful lives. The municipality assess at each reporting date if there is an indication of impairment.

1.11.1 Initial Recognition.

The cost of an item of Heritage Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably. Heritage Assets are initially recognised at cost on its acquisition date or in the case of assets acquired by donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of Heritage Assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located. Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of Heritage Assets acquired in exchange for a non-monetary asset or monetary asset, or a combination of monetary and nonmonetary assets, is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. If the acquired item could not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

1.11.2 Subsequent Measurement

All Heritage Assets are subsequently measured at cost, less accumulated impairment losses. Subsequent expenditure relating to Heritage Assets is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the municipality and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

1.11.3 Derecognition

The carrying amount of an item of Heritage Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Heritage Assets is included in surplus or deficit when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (cost less accumulated impairment losses) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Heritage Assets.

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1.12 Biological assets that form part of an agricultural activity

A Biological Asset is defined as a living animal or plant. Agricultural Produce is the harvested product of the municipality's Biological Assets.

1.12.1 Initial Recognition

The cost of an item of Biological Assets is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably. Biological Assets are initially recognised at fair value less cost to sell on its acquisition date. The fair value of an item of Biological Assets is the transaction price or the market price.

Agricultural Produce is initially recognised at fair value less costs to sell at the date of the harvest. The municipality applies the measurement methods as described in Accounting Policy 15 on Inventories.

1.12.1 Subsequent Measurement

Subsequently all Biological Assets are measured at fair value less cost to sell on the reporting date. The fair value of an item of Biological Assets is the transaction price or the market price.

A gain or loss arising from the initial recognition of an item of Biological Assets at fair value less cost to sell and from a change in fair value at the reporting date shall be recognised in the Statement of Financial Performance.

A gain or loss arising from the initial recognition of an item of Agricultural Harvest at fair value less estimate point of sale cost at the date of the harvest shall be recognised in the Statement of Financial Performance.

1.12.2 Derecognition

The carrying amount of an item of Biological Assets is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal. The gain or loss arising from the derecognition of an item of Biological Assets is included in the Statement of Financial Performance when the item is derecognised. Gains are not classified as revenue. Gains or losses are calculated as the difference between the carrying value of assets (at fair value) and the disposal proceeds is included in the Statement of Financial Performance as a gain or loss on disposal of Biological Assets.

1.13 Impairment of Assets

The municipality classifies all assets held with the primary objective of generating a commercial return as Cash Generating Assets. All other assets are classified as Non-cash Generating Assets.

1.13.1 Impairment of cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash generating unit is the higher of its fair value less costs to sell and its value in use. The best evidence of fair value less cost to sell is the price in a binding sale agreement in an arm's length transaction, adjusted for the incremental cost that would be directly attributable to the disposal of the asset.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

An impairment loss is recognised for cash generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

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The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase and would be credited directly against the Revaluation Surplus to the extent of any previous impairments recognised against said reserve in respect of that asset.

1.13.2 Impairment of Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the non-cash generating unit to which the asset belongs is determined.

The recoverable service amount of a non-cash generating asset is the higher of its fair value less costs to sell and its value in use. The value in use for a non-cash generating asset is the present value of the asset's remaining service potential. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance. The decrease shall be debited directly to a Revaluation Surplus to the extent of any credit balance existing in the Revaluation Surplus in respect of that asset. An impairment loss is recognised for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in the Statement of Financial Performance.

1.14 Financial instruments

The municipality has various types of Financial Instruments and these can be broadly categorised as Financial Assets, Financial Liabilities or Residual Interests in accordance with the substance of the contractual agreement. The municipality only recognises a Financial Instrument when it becomes a party to the contractual provisions of the instrument.

Initial Recognition

Financial Assets and Financial Liabilities are recognised on the municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument. The municipality does not offset a Financial Asset and a Financial Liability unless a legally enforceable right to set off the recognised amounts currently exist and the municipality intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Amortised Cost

Amortised Cost 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 Rate Method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

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1.14 Financial instruments (continued)

Financial Assets - Classification

A Financial Asset is any asset that is a cash, a contractual right to receive cash or another financial asset from another entity. In accordance with GRAP 104 the Financial Assets of the municipality are classified as follows into the three categories allowed by this standard: Financial Assets measured at Amortised Cost are non-derivative Financial Assets with fixed or determinable payments that are not quoted in an active market. They are included in Current Assets, except for maturities greater than 12 months, which are classified as Non-current Assets. Financial Assets at Amortised Cost are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. After initial recognition, Financial Assets are measured at amortised cost, using the Effective Interest Rate Method less a provision for impairment.

Financial Assets measured at Fair Value are financial assets that meet either of the following conditions:

- (i) Derivatives;
- (ii) Combined instruments that are designated at fair value;
- (iii) Instruments held for trading;
- (iv) Non-derivative Financial Instruments with fixed or determinable payments that are designated at fair value at initial recognition; or
- (v) Financial Instruments that do not meet the definition of Financial Instruments at Amortised Cost or Financial Instruments at Cost.

Financial Assets measured at Cost are investments in residual Interest that do not have a quoted market price in an active market and whose fair value cannot be reliably measured

Classification

The municipality has the following types of Financial Assets as reflected on the face of the Statement of Financial Position or in the Notes thereto:

Type of Financial Asset

Long-term Receivables
Receivables from Exchange Transactions
Receivables from Non-exchange Transactions
Bank, Cash and Cash Equivalents - Call Deposits
Bank, Cash and Cash Equivalents - Bank
Bank, Cash and Cash Equivalents - Cash
Current Portion of Long-term Receivables

Classification in terms of GRAP 104

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

Cash includes cash-on-hand and cash with banks (including call deposits). Cash Equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, which are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the Cash Flow Statement, Cash and Cash Equivalents comprise cash-on-hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises Cash and Cash Equivalents as Financial Assets at Amortised Cost.

Financial Liabilities

A Financial Liability is a contractual obligation to deliver cash or another Financial Assets to another entity.

There are three main categories of Financial Liabilities, the classification determining how they are measured. Financial Liabilities may be measured at:

- (i) Financial Liabilities measured at amortised cost
- (ii) Financial Liabilities measured at cos

The municipality has the following types of Financial Liabilities as reflected on the face of the Statement of Financial Position or in the Notes thereto:

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Type of Financial Liability

Long-term Liabilities
Payables from Exchange Transactions
Payables from Non-exchange Transactions
Current Portion of Long-term Liabilities

Classification in terms of GRAP 104

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost

Financial Liabilities that are measured at Fair Value are Financial Liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of Financial Instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Initial and Subsequent Measurement

Financial Assets

Financial assets measured at Amortised cost

Financial Assets at Amortised Cost are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the Financial Asset. Subsequently, these assets are measured at amortised cost using the Effective Interest Method less any impairment, with interest recognised on an Effective Yield Basis

Trade and Other Receivables (excluding Value Added Taxation, Prepayments and Operating Lease receivables), Loans to Municipal Entities and Loans that have fixed and determinable payments that are not quoted in an active market are classified as Financial Assets at Amortised Cost

Financial Liabilities held at Amortised Cost

Any other Financial Liabilities are classified as Other Financial Liabilities (All Payables, Loans and Borrowings are classified as Other Liabilities) and are initially measured at fair value, net of transaction costs. Trade and Other Payables, Interest-bearing Debt including Finance Lease Liabilities, Non-interest bearing Debt and Bank Borrowings are subsequently measured at amortised cost using the Effective Interest Rate Method . Interest expense is recognised in the Statement of Financial Performance by applying the effective interest rate.

Prepayments are carried at cost less any accumulated impairment losses.

Impairment Financial assets

Financial Assets, are assessed for indicators of impairment at the end of each reporting period. Financial Assets are impaired where there is objective evidence of impairment of Financial Assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with GRAP 104.

The carrying amount of the Financial Asset is reduced by the impairment loss directly for all Financial Assets carried at Amortised Cost with the exception of Consumer Debtors, where the carrying amount is reduced through the use of an allowance account. When a Consumer Debtor is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against revenue. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

Financial assets measured at cost:

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

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1.14 Financial instruments (continued)

Derecognition of Financial Assets

The municipality derecognises Financial Assets only when the contractual rights to the cash flows from the asset expires or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of Financial Assets due to non-recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred Financial Asset, the municipality continues to recognise the Financial Asset and also recognises a collateralised borrowing for the proceeds received.

Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire. The municipality recognises the difference between the carrying amount of the Financial Liability (or part of a Financial Liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, in the Statement of Financial Performance.

1.15 Inventories

Initial Recognition

Inventories comprise current assets held-for-sale, current assets for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the Inventories to their current location and condition. Where Inventory is manufactured, constructed or produced, the cost includes the cost of labor, materials and overheads used during the manufacturing process.

Where Inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired. Direct costs relating to properties that will be sold as Inventory are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Subsequent Measurement

-Consumable Stores, Raw Materials, Work-in-Progress and Finished goods.

Consumable stores, raw materials, work-in-progress, inventories distributed at no charge or for a nominal charge and finished goods are valued at the lower of cost and net realisable value (net amount that the municipality expects to realise from the sale on Inventory in the ordinary course of business). The cost is determined using the First-in-First-out Method for cost of commodities.

-Water Inventory

Water is regarded as Inventory when the municipality purchases water in bulk with the intention to resell it to the consumers or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes, etc.). However, water in dams, that are filled by natural resources and that has not yet been treated, that is under the control of the municipality but cannot be measured reliably as there is no cost attached to the water, is therefore not recognised in the Statement of Financial Position. The basis of determining the cost of water purchased and not yet sold at Statement of Financial Position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the Inventory to its present location and condition, net of trade discounts and rebates. Water and purified effluent are valued by using the First-in-First-out Method, at the lowest of purified cost and net realisable value, insofar as it is stored and controlled in reservoirs at year-end.

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1.15 Inventories (continued)

-Other Inventories

Redundant and slow-moving Inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values and sold by public auction. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Differences arising on the measurement of such Inventory at the lower of cost and net realisable value are recognised in the Statement of Financial Performance in the year in which they arise. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of Inventories recognised as an expense in the period in which the reversal occurs. The carrying amount of Inventories is recognised as an expense in the period that the Inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

1.16 Revenue Recognition

General

Revenue is derived from a variety of sources which include rates levied, grants from other tiers of government and revenue from trading activities and other services provided. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits or service potential will flow to the municipality and when specific criteria have been met for each of the municipality's activities as described below, except when specifically stated otherwise. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Furthermore, services rendered are recognised by reference to the stage of completion of the transaction at the reporting date.

Revenue from Exchange Transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable. Revenue from Non-exchange Transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount. Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, stock rotation, price protection, rebates and other similar allowances. 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.

Revenue from Exchange Transactions

Service Charges

Service Charges are levied in terms of approved tariffs.

Service Charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without it being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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Accounting Policies

1.16 Revenue Recognition (continued)

Service charges relating to sewerage and sanitation are recognised on a monthly basis in arrears by applying the approved tariff to all properties. Tariffs are determined per category of property usage, and are levied based on the extent of each property. In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

Rentals Received

Revenue from the rental of facilities and equipment is recognised on a Straight-line Basis over the term of the lease agreement.

Finance Income

Interest earned on investments is recognised in the Statement of Financial Performance on the Time-proportionate Basis that takes into account the effective yield on the investment.

Interest earned on the following investments is not recognised in the Statement of Financial Performance:

Interest earned on unutilised Conditional Grants is allocated directly to the Creditor: Unutilised Conditional Grants, if the grant conditions indicate that interest is payable to the funder.

Tariff charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff. This includes the issuing of licenses and permits.

Revenue from Agency Services

Revenue from agency services is recognised on a monthly basis once the revenue collected on behalf of agents has been quantified. The revenue recognised is in terms of the agency agreement.

Sale of Goods (including Houses)

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

- (a) The municipality has transferred to the buyer the significant risks and rewards of ownership of the goods;
 - (b) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
 - (c) The amount of revenue can be measured reliably;
 - (d) The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- (e) It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (f) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from Non-exchange Transactions

An inflow of resources from a Non-exchange Transaction, that meets the definition of an asset shall be recognised as an asset when it is probable that the future economic benefits or service potential associated with the asset will flow to the municipality and the fair value of the asset can be measured reliably. The asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. A present obligation arising from a Non-exchange Transaction that meets the definition of a liability will be recognised as a liability when it is probable that an outflow of economic benefit will be required to settle the obligation and a reliable estimate of the amount can be made.

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Accounting Policies

1.16 Revenue Recognition (continued)

Public Contributions

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

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Assets acquired from non-exchange transactions are measured at fair value in accordance with the Standards of GRAP.

Government Grants and Receipts

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

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest, it is recognised as interest earned in the Statement of Financial Performance.

Revenue is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

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 councillors or officials is virtually certain.

1.17 Provisions

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

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the management of the municipality, supplemented by experience of similar transactions and, in some cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities.

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Accounting Policies

1.17 Provisions (continued)

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it – this unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.18 Employee benefits

Short-term employee benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non accumulating benefits which are only recognised when the specific event occurs.

The municipality has opted to treat its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a creditor in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

Post-employment benefits

The municipality provides retirement benefits for its employees and councillors, and has both defined benefit and defined contribution post-employment plans.

Defined contribution plans

A Defined Contribution Plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plans

A Defined Benefit Plan is a post-employment benefit plan other than a defined contribution plan.

Post-retirement Health Care Benefits

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee. Not all Medical Aid Funds with which the Municipality is associated, provide for continued membership.

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Accounting Policies

1.19 Employee benefits (continued)

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and unrecognised actuarial gains and losses, reduced by unrecognised past service costs. The plan is unfunded. The present value of the defined benefit obligation is calculated using the Projected Unit Credit Method, incorporating actuarial assumptions and a discount rate based on the government bond rate. Valuations of these obligations are carried out annually by independent qualified actuaries.

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance.

Past-service costs are recognised immediately in the Statement of Financial Performance.

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

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

Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, calculated in terms of the rules of the scheme, after 10, 15, 20, 25 and 30 years of continued service. The municipality's liability is based on an actuarial valuation. The Projected Unit Credit Method is used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the Statement of Financial Performance.

Provincially-administered Defined Benefit Plans

The municipality contributes to various National- and Provincial-administered Defined Benefit Plans on behalf of its qualifying employees. These funds are multi-employer funds. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. These defined benefit funds are actuarially valued triennially on the Projected Unit Credit Method basis. Deficits are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities.

Defined Benefit Pension Plans

Where applicable the municipality has an obligation to provide Post-retirement Pension Benefits to certain of its retirees. Pension contributions in respect of employees who were not members of a pension fund are recognised as an expense when incurred. Staff provident funds are maintained to accommodate personnel who, due to age, cannot join or be part of the various pension funds. The municipality contributes monthly to the funds.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

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Accounting Policies

1.18 Employee benefits (continued)

Actuarial gains or losses are recognised immediately in the Statement of Financial Performance. Past-service costs are recognised immediately in the Statement of Financial Performance.

NB: The municipality currently does not have any employees that fall under Defined Benefit Pension Plan

1.19 Leases

Classification

Leases are classified as Finance Leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Leases of property, plant and equipment, in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as Operating Leases

The Municipality as lessee

Finance leases

Where the municipality enters into a finance lease, property, plant and equipment or intangible assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset, plus any direct costs incurred. Lease payments are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the finance cost and the capital repayment using the Effective Interest Rate Method . Finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases

The municipality recognises operating lease rentals as an expense in the Statement of Financial Performance on a Straight-line Basis over the term of the relevant lease. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a Straight-line Basis , except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Determining whether an Arrangement contains a lease

At inception of an arrangement, the municipality determines whether such an arrangement is, or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the municipality the right to control the use of the underlying asset. At inception, or upon reassessment of the arrangement, the municipality separates payments and other considerations required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the municipality concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the municipality's incremental borrowing rate.

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Accounting Policies

1.19 Leases (continued)

1.20 Grants-In-Aid

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

- (a) Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- (b) Expect to be repaid in future; or
- (c) Expect a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as expenses in the period that the events giving rise to the transfer occurred.

1.21 Value Added Tax

Value Added Tax assets and liabilities

The municipality accounts for Value Added Tax on the Payments Basis in accordance with section 15(2)(a) of the Value Added Tax Act (Act No 89 of 1991).

1.22 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, 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 No 56 of 2003). All expenditure relating to Unauthorised Expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

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

1.24 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. All expenditure relating to Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Material Losses

The MFMA requires the disclosure of material losses incurred during the year under review. The disclosure is provided in order to comply to the legislative requirements governing Municipalities and Municipal Entities. Due to their significance, the complete calculation of water losses is provided, including the opening balance, purchases, sales and closing balance where applicable. The unit rate is the rate per the last purchase as inventory is measured based on the First-In-First-Out Method as defined by GRAP 12 (Inventories)

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Accounting Policies

1.26 Changes in Accounting Policies, Estimates and Errors

Changes in Accounting Policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality restated the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Changes in Accounting Policies are disclosed in the Notes to the Annual Financial Statements where applicable.

Changes in Accounting Estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the Notes to the Annual Financial Statements where applicable.

Correction of Errors are applied retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impractical to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practical. Details of Correction of Errors are disclosed in the Notes to the Annual Financial Statements where applicable.

1.27 Treatment of Administration and Overhead expenses

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

1.28 Contingent Assets and Contingent Liabilities

Contingent Liabilities represent a possible obligation that arises from past events and whose existence will be confirmed only by an occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability can also arise as a result of a present obligation that arises from past events but which is not recognised as a liability either because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent Assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or nonoccurrence of one or more uncertain future events not wholly within the control of the municipality.

Contingent Assets and Contingent Liabilities are not recognised. Contingencies are disclosed in Notes to the Annual Financial Statements.

1.29 Commitments

Commitments are future expenditure to which the municipality committed and that will result in the outflow of resources. Commitments are not recognised in the Statement of Financial Position as a liability or as expenditure in the Statement of Financial Performance, but are included in the disclosure Notes. A distinction is made between capital and current commitments.

Commitments are disclosed for:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where the expenditure has been approved and the contract has yet to be awarded or is awaiting finalisation at the reporting date.

- Items are classified as commitments where the municipality commits itself to future transactions that will normally result in the outflow of resources.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure Notes to the Annual Financial Statements.
- Other commitments for contracts that are non-cancellable or only cancellable at significant cost, should relate to something other than the business of the municipality.

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Annual Financial Statements for the year ended 30 June 2021

Accounting Policies

1.30 Related parties

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management is regarded as a related party and comprises the Councillors, Mayor, Executive Committee Members, Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

1.31 Events after reporting date

Events after the reporting date that are classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as Non-adjusting Events after the Reporting Date have been disclosed in Notes to the Annual Financial Statements.

1.32 Comparative figures

Current Year Comparatives

In accordance with GRAP 1 Budgeted Amounts have been provided and forms part of the Annual Financial Statements.

Prior Year Comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed. Due to the implementation of mSCOA in the current financial year, certain prior year figures have been reclassified and these reclassifications have been reflected in note 44 to the AFS.

Budget Information

The annual budget figures have been prepared in accordance with the GRAP standard and are consistent with the Accounting Policies adopted by the Council for the preparation of these Annual Financial Statements. The amounts are scheduled as a separate additional financial statement, called the Statement of Comparison of Budget and Actual amounts. Explanatory comment is provided in the statement giving reasons for overall growth or decline in the budget and motivations for over- or under spending on line items. The annual budget figures included in the Annual Financial Statements are for the municipality and do not include budget information relating to subsidiaries or associates. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan. The budget is approved on an accrual basis by nature classification. The approved budget covers the period from 1 July 2019 to 30 June 2020.

1.33 Statutory Receivables

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

Recognition

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23; or
- if the definition of an asset is met

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Accounting Policies

Derecognition

Municipality derecognises a statutory receivable, or a part thereof, when:

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

Measurement

Statutory receivables are measured initially at their transaction amount, using the prescripts of legislation, regulations or an equivalent. The transaction amount is adjusted in subsequent reporting periods to accrue for any interest or other charges that an entity levies (if required or permitted to do so in legislation or similar means) and, to account for any impairment losses or any amounts derecognised.

Subsequent measurement

Subsequent to initial recognition statutory receivables are measured using the cost method. Initial measurement of the receivable is changed to reflect any: interest or other charges that may have accrued on the receivable, impairment losses and amounts derecognised.

1.34 Principal and Agents Related transactions

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

Recognising revenue and expenses as a principal or an agent

When the municipality determines that it is a principal in accordance with GRAP 109, it shall account for revenue and expenses arising from the transactions with third parties in its statement of financial performance. When it determines that it is an agent, it recognises the revenue and expenses associated with undertaking the transactions on behalf of the principal.

Recognising assets and liabilities as a principal or an agent

Whether the municipality is a principal or an agent, it applies the principles in the applicable Standards of GRAP in recognising assets and liabilities arising from a principal-agent arrangement.

1.35 Construction Contracts

A contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Recognition of contract revenue and expenses

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

In the case of a fixed price contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- total contract revenue, if any, can be measured reliably;
- it is probable that the economic benefits or service potential associated with the contract will flow to the entity;
- both the contract costs to complete the contract and the stage of contract completion at the reporting date can be measured reliably; and
- the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

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Accounting Policies

In the case of a cost plus or cost based contract, the outcome of a construction contract can be estimated reliably when all the following conditions are satisfied:

- it is probable that the economic benefits or service potential associated with the contract will flow to the entity; and
- the contract costs attributable to the contract, whether or not specifically reimbursable, can be clearly identified and measured reliably.

Contract revenue and contract costs associated with the construction contract shall be recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the reporting date.

1.36 Segment Reporting

Recognition

A segment is an activity of the municipality:

- (a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same municipality);
- (b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- (c) for which separate financial information is available.

Two or more segments may be aggregated into a single segment if aggregation is consistent with the objective of this Standard and the segments have similar economic characteristics, and the segments share a majority of the following:

- (a) the nature of the goods and/or services delivered;
- (b) the type or class of customer or consumer to which goods and services are delivered;
- (c) the methods used to distribute the goods or provide the services; or
- (d) if applicable, the nature of the regulatory environment that applies to the segment

Measurement

The amount of each segment item reported shall be the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance.

1.37 Separate Financial Statements

Separate financial statements are those presented by an entity, in which the entity could elect, subject to the requirements in this Standard, to account for its investments in controlled entities, joint ventures and associates either at cost, in accordance with the Standard of GRAP on Financial Instruments (GRAP 104) or using the equity method as described in the Standard of GRAP on Investments in Associates and Joint Ventures (GRAP 36).

OR Tambo DM, which is a controlling entity for Ntinga OR Tambo Development shall present consolidated financial statements, except when all the following conditions are met:

- OR Tambo DM is itself a controlled entity
- its debt or equity instruments are not traded in a public market
- it did not file, nor is it in the process of filing, its financial statements with a securities commission
- its ultimate or any intermediate controlling entity produces financial statements

1.38 Consolidated Financial Statements

OR Tambo DM is a controlling entity that fully owns Ntinga Development Agency and shall present consolidated financial statements. OR Tambo DM need not present consolidated financial statements when it meets all the following conditions:

- it is itself a controlled entity and the information needs of users are met by its controlling entity's consolidated financial statements, and, in the case of a partially owned controlled entity, all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not presenting consolidated financial statements;
- its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
- it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- its ultimate or any intermediate controlling entity produces financial statements that are available for public use and comply with the Standards of GRAP, in which controlled entities are consolidated or are measured at fair value in accordance with this Standard.

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
2. Inventories				
Consumable stores	12,196,243	7,666,326	12,133,876	7,377,565
Water	144,861	188,912	144,861	188,912
Livestock	3,665,281	2,699,693	-	-
Merchandise (Meat)	3,808	247,418	-	-
Crops	328,586	-	-	-
	<u>16,338,779</u>	<u>10,802,349</u>	<u>12,278,737</u>	<u>7,566,477</u>

Water Inventory is held for sale and consumables are held own use and measured at the lower of the cost and net value. No write downs of inventory to Net Realisable Value were required. Inventory expensed during the year amounted to R19 786 313 (2020: R36 313 260). The cost of water production for the year amounted to R2.60 per kilolitre (2020: R2.20 per Kilolitre). No inventories have been pledged as collateral for liabilities of the municipality.

3. Receivables from exchange transactions

3.1 Gross balances - Service debtors

Water	383,896,363	344,200,050	383,896,363	344,200,050
Sewerage	92,724,016	90,516,753	92,724,016	90,516,753
Other Receivables	143,517,643	128,865,410	147,622,578	134,288,848
Credit sales of goods and rentals	572,075	1,178,358	-	-
	<u>620,710,097</u>	<u>564,760,571</u>	<u>624,242,957</u>	<u>569,005,651</u>

Less: Allowance for impairment

Water	(272,071,784)	(254,198,640)	(272,071,784)	(254,198,640)
Sewerage	(65,071,956)	(66,893,609)	(65,071,956)	(66,893,609)
Other receivables	(126,480,963)	(122,912,730)	(126,480,963)	(122,912,730)
Credit sales of goods and rentals	(502,133)	(426,194)	-	-
	<u>(464,126,836)</u>	<u>(444,431,173)</u>	<u>(463,624,703)</u>	<u>(444,004,979)</u>

Net balance

Water	111,824,579	90,001,410	111,824,579	90,001,410
Sewerage	27,652,060	23,623,144	27,652,060	23,623,144
Other Receivables	17,036,680	5,952,680	21,141,615	11,376,118
Credit sales of goods and rentals	69,942	752,164	-	-
	<u>156,583,261</u>	<u>120,329,398</u>	<u>160,618,254</u>	<u>125,000,672</u>

3.2 Gross balances - Other debtors

Sundry debtors	-	369,585	-	369,585
	<u>-</u>	<u>369,585</u>	<u>-</u>	<u>369,585</u>

Net Receivables from exchange transactions

	<u>156,583,261</u>	<u>120,698,983</u>	<u>160,618,254</u>	<u>125,370,257</u>
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Water

Current (0 -30 days)	41,834,300	22,231,114	41,834,300	22,231,114
31 - 60 days	12,185,994	22,859,446	12,185,994	22,859,446
61 - 90 days	26,618,178	21,358,393	26,618,178	21,358,393
+90 days	303,257,891	277,751,098	303,257,891	277,751,098
	<u>383,896,364</u>	<u>344,200,050</u>	<u>383,896,364</u>	<u>344,200,050</u>
Less: Allowance for impairment	(272,071,784)	(254,198,640)	(272,071,784)	(254,198,640)
	<u>111,824,580</u>	<u>90,001,410</u>	<u>111,824,580</u>	<u>90,001,410</u>

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
3. Receivables from exchange transactions (Continued)				
Sewerage				
Current (0 -30 days)	9,014,365	5,107,585	9,014,365	5,107,585
31 - 60 days	3,103,988	6,214,804	3,103,988	6,214,804
61 - 90 days	2,722,615	10,259,236	2,722,615	10,259,236
+90 days	77,883,048	68,935,128	77,883,048	68,935,128
	92,724,016	90,516,753	92,724,016	90,516,753
Less: Allowance for impairment	(65,071,956)	(66,893,609)	(65,071,956)	(66,893,609)
	27,652,060	23,623,144	27,652,060	23,623,144
Other Debtors				
Current (0 -30 days)	3,724,645	2,715,430	3,724,645	2,715,430
31 - 60 days	631,211	2,516,775	631,211	2,516,775
61 - 90 days	1,571,364	2,405,257	1,571,364	2,405,257
+90 days	141,695,358	126,651,387	141,695,358	126,651,387
	147,622,578	134,288,848	147,622,578	134,288,848
Less: Allowance for impairment	(126,480,963)	(122,912,730)	(126,480,963)	(122,912,730)
	21,141,615	11,376,118	21,141,615	11,376,118
Credit sales of goods and rentals				
Current (0 -30 days)	37,914	180,712	-	-
31 - 60 days	32,029	53,331	-	-
61 - 90 days	-	503,607	-	-
+90 days	502,133	440,709	-	-
	572,075	1,178,359	-	-
Less: Allowance for impairment	(502,133)	(426,194)	-	-
	69,942	752,165	-	-
Summary of debtors by customer classification				
Consumers				
Current (0 -30 days)	14,804,120	7,176,443	14,804,120	7,176,443
31 - 60 days	7,952,944	7,081,725	7,952,944	7,081,725
61 - 90 days	15,221,954	6,976,973	15,221,954	6,976,973
+90 days	239,411,432	221,002,536	239,411,432	221,002,536
	277,390,450	242,237,677	277,390,450	242,237,677
Less: Allowance for impairment	(265,141,211)	(236,040,542)	(265,141,211)	(236,040,542)
	12,249,239	6,197,135	12,249,239	6,197,135
Industrial / Commercial				
Current (0 -30 days)	8,137,952	5,774,895	8,100,039	5,594,183
31 - 60 days	2,558,343	5,704,160	2,526,314	5,650,829
61 - 90 days	4,026,974	5,257,323	4,026,974	4,753,716
+90 days	70,715,195	76,921,997	70,213,062	76,481,289
	85,438,464	93,658,375	84,866,388	92,480,016
Less: Allowance for impairment	(72,504,663)	(85,477,902)	(72,002,530)	(85,051,708)
	12,933,801	8,180,473	12,863,858	7,428,308

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
3. Receivables from exchange transactions (Continued)				
National and provincial government				
Current (0 -30 days)	27,944,506	14,568,073	27,944,506	14,568,073
31 - 60 days	4,810,724	16,341,697	4,810,724	16,341,697
61 - 90 days	10,091,866	19,886,939	10,091,866	19,886,939
+90 days	71,516,445	49,202,401	71,516,445	49,202,401
	114,363,541	99,999,110	114,363,541	99,999,110
Less: Allowance for impairment	-	-	-	-
	114,363,541	99,999,110	114,363,541	99,999,110
Other debtors				
Current (0 -30 days)	3,724,645	2,715,430	3,724,645	2,715,430
31 - 60 days	631,211	2,516,775	631,211	2,516,775
61 - 90 days	1,571,364	2,405,257	1,571,364	2,405,257
+90 days	141,695,358	126,651,387	141,695,358	126,651,387
	147,622,578	134,288,848	147,622,578	134,288,848
Less: Allowance for impairment	(126,480,963)	(122,912,730)	(126,480,963)	(122,912,730)
	21,141,616	11,376,118	21,141,616	11,376,118
Totals				
Current (0 -30 days)	54,611,223	30,234,840	54,573,310	30,054,128
31 - 60 days	15,953,222	31,644,356	15,921,193	31,591,025
61 - 90 days	30,912,158	34,526,492	30,912,158	34,022,885
+90 days	523,338,429	473,778,321	522,836,297	473,337,613
	624,815,033	570,184,010	624,242,957	569,005,651
Less: Allowance for impairment	(464,126,836)	(444,431,174)	(463,624,703)	(444,004,980)
	160,688,196	125,752,836	160,618,254	125,000,672
Impairment Totals				
Current (0 -30 days)	(16,455,956)	(13,279,973)	(16,455,956)	(13,279,973)
31 - 60 days	(8,864,107)	(13,201,348)	(8,864,107)	(13,201,348)
61 - 90 days	(17,338,153)	(12,505,500)	(17,338,153)	(12,505,500)
+90 days	(421,468,621)	(405,444,353)	(420,966,488)	(405,018,159)
	(464,126,836)	(444,431,174)	(463,624,703)	(444,004,980)
Reconciliation of allowance for impairment				
Balance at beginning of the year	(444,431,174)	(359,380,270)	(444,004,980)	(359,040,518)
Contributions to allowance	(41,225,694)	(96,519,433)	(41,149,755)	(96,432,991)
Debt impairment written off against allowance	21,530,031	11,468,530	21,530,031	11,468,530
	(464,126,836)	(444,431,174)	(463,624,703)	(444,004,980)
4. Receivables from Non-exchange Transactions				
Short-term loans	54,614	-	54,614	-
Sundry Debtors	2,800,202	1,942,019	1,602,732	905,101
Other control accounts	128,784	129,889	128,784	129,889
Impairments	-	(41,810)	-	-
	2,983,600	2,030,098	1,786,130	1,034,990

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	2021	2020 Restated*	2021	2020 Restated*

4. Receivables from Non-exchange Transactions (Continued)

Short-term Loans mainly comprise temporary advances made to local municipalities which are repayable within 12 months. Sundry Debtors are in respect of debits outstanding at year-end on normal business transactions entered into by the municipality

The municipality does not hold deposits or other security for its Receivables. None of the Receivables have been pledged as security for the municipality's financial liabilities.

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

Opening balance	720,464	706,613	678,654	678,654
Impairment Adjustment	(720,464)	(664,803)	(678,654)	(678,654)
	<u>-</u>	<u>41,810</u>	<u>-</u>	<u>-</u>

The Provision for Impairment on Receivables exists predominantly due to the possibility that these debts will not be recovered. Loans and receivables were assessed individually and grouped together at the Statement of Financial Position as financial assets with similar credit risk characteristics and collectively assessed for impairment.

In determining the recoverability of Receivables from Non-exchange Transactions, the municipality considers any change in the credit quality of the Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

Debtor from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision required in excess of the Provision for Impairment.

No Provision for Impairment has been made in respect of government debt as these amounts are considered to be fully recoverable.

The following Loans and Receivables are included in the total amount of the Provision for Impairment

Sundry Debtors	<u>0</u>	<u>41,810</u>	<u>-</u>	<u>0</u>
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5. Prepayments

Amatola Water - RBIG	44,732,676	106,267,622	44,732,676	106,267,622
Amatola Water - MIG	21,716,321	20,644,938	21,716,321	20,644,938
Prepayments - Deposits	300,256	192,597	-	-
	<u>66,749,253</u>	<u>127,105,158</u>	<u>66,448,997</u>	<u>126,912,561</u>

The balance for prepayments consists of RBIG grant capital projects that are implemented by Amatola Water.

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
6. VAT receivable				
VAT Output accrual	(213,058,334)	(207,050,218)	(213,058,334)	(207,050,218)
VAT Input accrual	239,667,635	224,162,294	239,667,635	224,162,294
Control account	8,002,532	36,549,548	8,002,532	36,549,548
VAT	34,611,833	53,661,624	34,611,833	53,661,624

VAT is payable on the receipts basis. Only once payment is received from debtors, VAT is paid over to SARS. No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	106,993,780	124,749,683	104,935,271	123,473,130
Short-term deposits	293,711,703	211,465,310	292,467,783	199,482,396
Petty Cash Balances	6,896	19,065	-	-
	400,712,379	336,234,058	397,403,054	322,955,526

For the purposes of the Statement of Financial Position and the Cash Flow Statement, Cash and Cash Equivalents include Cash-on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdrafts Current Investment Deposits

Short-term deposits	293,711,703	211,465,310	292,467,783	199,482,396
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Call Deposits are investments with a maturity period of less than 3 months and earn interest rates varying from 3% to 4.42% (2020: 3.25% to 7.50%) per annum.

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Annual Financial Statements

	Economic Entity			Controlling Entity		
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Figures in Rand

7. Cash and cash equivalents (Continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-21	30-Jun-20	30-Jun-19
Controlling Entity						
First National Bank - Current Account - 539 9013 7772	104,722,432	126,844,176	151,707,400	104,935,271	123,473,130	151,768,073
	104,722,432	126,844,176	151,707,400	104,935,271	123,473,130	151,768,073

The municipality does not have any overdrawn current account facilities with its banker and therefore does not incur interest on overdrawn current accounts. Interest is earned at different rates per annum on favourable balances. The municipality did not pledge any of its Cash and Cash Equivalents as collateral for its financial liabilities. Other than conditional grant funds, no restrictions have been imposed on the municipality in terms of the utilisation of its Cash and Cash Equivalents. The municipality had the following call accounts:

	Bank statement balances			Cash book balances		
	30-Jun-21	30-Jun-20	30-Jun-19	30-Jun-21	30-Jun-20	30-Jun-19
Controlled Entity						
FNB - Primary Bank Account - 6216680472	1,333,926	327,701	1,175,914	1,338,883	345,627	1,175,914
FNB - Salaries Account - 62183286890	86,535	93,298	20,688	86,535	93,298	20,688
FNB - Trading Account - 62254987351	-	-	(2,326)	-	-	-
FNB - Kei Fresh Account - 62192051698	-	-	14,540	-	-	14,540
	1,420,461	420,999	1,208,816	1,425,418	438,925	1,211,142
Petty Cash Balances	-	-	-	6,896	19,065	13,255
	-	-	-	6,896	19,065	13,255
	1,420,461	420,999	1,208,816	1,432,314	457,990	1,224,397

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*

7. Cash and cash equivalents (Continued)

The Controlling Entity had the following call accounts

	Bank statement balances		Cash book balances	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
First National Bank - Revenue Call Account - 6202 957 0307	38,375	37,236	38,375	37,236
First National Bank - MIG Call Account - 6206 284 3860	64,455,018	54,608,142	64,455,018	54,608,142
First National Bank - Budget Call Account - 6203 169 4533	2,434,511	2,362,278	2,434,511	2,362,278
First National Bank - TOA Call Account - 7458 001 4055	-	4,984,327	-	4,984,327
First National Bank - DWAF Call Account - 6203 236 6149	15,895,126	27,414,629	15,895,126	27,414,629
First National Bank - First Auto Call Account - 7402 959 4310	109,605	107,415	109,605	107,415
First National Bank - Libraries Call Account - 6206 372 3136	2,165	2,101	2,165	2,101
First National Bank - Comm NSTD Call Account - 6258 819 5612	303,417	294,414	303,417	294,414
ABSA - Call Account - 207 9725 920	51,785,861	-	51,785,861	-
ABSA - Call Account - 9353 1517 03	189,447	21,445,357	189,447	21,445,357
Investec - Call Account - 1 10 0456 810 500	5,221,085	5,048,518	5,221,085	5,048,518
Standard bank - Call Account - 548744068- 030	50,632,666	-	50,632,666	-
Standard bank - Fixed Deposit Notice Account - 548744068- 031	101,117,391	-	101,117,391	-
Standard bank - Call Account - 548 744 068 029	-	74,101,617	-	74,101,617
Nedbank - Call Account - 037 8810 502 33	283,116	9,076,362	283,116	9,076,362
	292,467,783	199,482,396	292,467,783	199,482,396

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*

7. Cash and cash equivalents (Continued)

The Controlled Entity had the following call accounts

FNB Account number - 62181670540 (Ntinga)	95,821	10,809,546	95,821	10,809,546
FNB Account number - 62185096122 (Umzimkantu Read Meat Abattoir)	230,249	636,266	230,249	636,266
FNB Call - 62508942407	95,441	92,593	95,441	92,593
FNB Call - 62578074149	112,414	352,731	112,414	352,731
FNB Call Account - 62785410293	3,873	3,106	3,873	3,106
FNB Call Account - 62773058849	91,383	88,672	91,383	88,672
FNB Call Account - 62766535622	405,494	642,906	405,494	642,906
FNB Call Account - 62771259671	227,597	194,722	227,597	194,722
FNB Account Number - 62887833153	1,010	-	1,010	-
FNB Account Number - 62875150600	613,729	-	613,729	-
	1,877,011	12,820,542	1,877,011	12,820,542

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8. Property, plant and equipment

Economic Entity	2021			2020		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	31,129,794	-	31,129,794	31,129,794	-	31,129,794
Furniture and fixtures	33,647,198	(24,173,920)	9,473,277	30,647,324	(21,154,747)	9,492,577
Transport Assets	92,255,113	(49,989,205)	42,265,908	72,983,103	(42,106,694)	30,876,409
IT equipment	9,445,183	(7,317,490)	2,127,693	8,896,677	(6,452,264)	2,444,413
Infrastructure	8,325,408,302	(3,131,909,966)	5,193,498,336	8,061,068,201	(2,915,534,946)	5,145,533,254
Other property, plant and equipment	161,906,931	(65,309,059)	96,597,872	161,857,851	(57,219,016)	104,638,835
Infrastructure WIP	1,790,873,099	-	1,790,873,099	1,532,436,743	-	1,532,436,743
Leased Infrastructure	375,105	(375,105)	-	375,105	(375,105)	-
Machinery and Equipment	30,794,682	(17,710,327)	13,084,355	30,749,537	(13,811,775)	16,937,762
	10,475,835,407	(3,296,785,073)	7,179,050,334	9,930,144,335	(3,056,654,548)	6,873,489,787

Reconciliation of property, plant and equipment - 2021

Description	Opening balance	Additions	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	31,129,794	-	-	-	-	-	-	31,129,794
Furniture and fixtures	9,492,577	3,028,276	(14,248)	-	-	-	(3,033,328)	9,473,277
Transport Assets	30,876,410	19,508,220	(50,616)	-	-	-	(8,068,106)	42,265,908
IT equipment	2,444,413	610,489	(36,620)	-	-	-	(890,598)	2,127,684
Infrastructure	5,145,533,254	-	-	(2,700,775)	278,805,709	(11,444,253)	(216,695,600)	5,193,498,335
Other property, plant and equipment	104,638,835	49,080	-	-	-	-	(8,090,042)	96,597,872
Infrastructure WIP	1,532,436,743	537,242,065	-	-	(278,805,709)	-	-	1,790,873,099
Machinery and Equipment	16,937,762	77,100	(5,245)	-	-	-	(3,925,262)	13,084,355
	6,873,489,787	560,515,231	(106,729)	(2,700,775)	-	(11,444,253)	(240,702,937)	7,179,050,324

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8. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2020

Description	Opening balance	Additions	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	31,129,794	-	-	-	-	-	-	31,129,794
Furniture and fixtures	9,441,665	3,386,675	-	-	-	-	(3,335,764)	9,492,577
Transport Assets	34,771,614	3,822,783	(193,718)	-	-	-	(7,524,268)	30,876,410
IT equipment	2,871,558	820,038	(12,381)	-	-	-	(1,234,802)	2,444,413
Infrastructure	5,188,319,794	2,840,287	-	(22,004,869)	202,404,219	(19,554,855)	(206,471,323)	5,145,533,254
Other property, plant and equipment	110,311,039	2,545,127	-	-	-	-	(8,217,332)	104,638,835
Infrastructure WIP	1,010,715,408	724,125,555	-	-	(202,404,219)	-	-	1,532,436,743
Leased Infrastructure	23	-	-	-	-	(23)	-	-
Machinery and Equipment	19,530,238	1,345,754	-	-	-	-	(3,938,231)	16,937,762
	6,407,091,134	738,886,219	(206,099)	(22,004,869)	-	(19,554,878)	(230,721,720)	6,873,489,787

Controlling Entity

Description	Cost / Valuation	2021		2020		
		Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8,127,917	-	8,127,917	8,127,917	-	8,127,917
Furniture and fixtures	31,189,208	(22,472,321)	8,716,887	28,238,031	(19,636,539)	8,601,492
Transport Assets	88,022,731	(47,452,237)	40,570,494	68,750,721	(40,197,441)	28,553,279
IT equipment	6,936,468	(6,033,201)	903,267	6,887,170	(5,468,207)	1,418,963
Infrastructure	8,325,408,302	(3,131,909,966)	5,193,498,336	8,061,068,201	(2,915,534,946)	5,145,533,254
Other property, plant and equipment	138,942,606	(59,157,236)	79,785,370	138,942,606	(52,081,355)	86,861,251
Infrastructure WIP	1,790,873,099	-	1,790,873,099	1,532,436,743	-	1,532,436,743
Leased Infrastructure	375,105	(375,105)	-	375,105	(375,105)	-
Machinery and Equipment	7,538,222	(5,933,075)	1,605,147	7,538,222	(5,001,606)	2,536,616
	10,397,413,658	(3,273,333,141)	7,124,080,517	9,852,364,715	(3,038,295,200)	6,814,069,515

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8. Property, plant and equipment (Continued)

Reconciliation of property, plant and equipment - 2021

Description	Opening balance	Additions	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	8,127,917	-	-	-	-	-	-	8,127,917
Furniture and fixtures	8,601,492	2,951,177	-	-	-	-	(2,835,782)	8,716,887
Transport Assets	28,553,280	19,508,220	(50,616)	-	-	-	(7,440,390)	40,570,494
IT equipment	1,418,963	49,298	-	-	-	-	(565,003)	903,258
Infrastructure	5,145,533,254	-	-	(2,700,775)	278,805,709	(11,444,253)	(216,695,600)	5,193,498,335
Other property, plant and equipment	86,861,251	-	-	-	-	-	(7,075,881)	79,785,370
Infrastructure WIP	1,532,436,743	537,242,065	-	-	(278,805,709)	-	-	1,790,873,099
Leased Infrastructure	-	-	-	-	-	-	-	-
Machinery and Equipment	2,536,616	-	-	-	-	-	(931,469)	1,605,147
	6,814,069,515	559,750,761	(50,616)	(2,700,775)	-	(11,444,253)	(235,544,125)	7,124,080,507

Reconciliation of property, plant and equipment - 2020

Description	Opening balance	Additions	Disposals	Decommissions	Transfers	Impairment	Depreciation	Total
Land	8,127,917	-	-	-	-	-	-	8,127,917
Furniture and fixtures	8,504,274	3,250,626	-	-	-	-	(3,153,408)	8,601,492
Transport Assets	31,820,443	3,757,783	(193,718)	-	-	-	(6,831,227)	28,553,280
IT equipment	1,972,620	428,937	-	-	-	-	(982,593)	1,418,963
Infrastructure	5,188,319,794	2,840,287	-	(22,004,869)	202,404,219	(19,554,855)	(206,471,323)	5,145,533,254
Other property, plant and equipment	94,002,172	-	-	-	-	-	(7,140,922)	86,861,251
Infrastructure WIP	1,010,715,408	724,125,555	-	-	(202,404,219)	-	-	1,532,436,743
Leased Infrastructure	23	-	-	-	-	(23)	-	-
Machinery and Equipment	2,110,048	1,345,754	-	-	-	-	(919,186)	2,536,616
	6,345,572,698	735,748,941	(193,718)	(22,004,869)	-	(19,554,878)	(225,498,659)	6,814,069,515

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	2021	2020 Restated*	2021	2020 Restated*

8. Property, plant and equipment (continued)

Assets pledged as security

The municipality did not pledge any of its assets as security.

Land and buildings carried at fair value

The municipality's Land and Buildings are accounted for according to the cost model and therefore no fair value has been determined.

Expenditure incurred to repair and maintain property, plant and equipment

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

Land and Buildings	3,232,982	6,064,237	3,232,982	6,064,237
Infrastructure - Sanitation	377,881	16,382,842	377,881	16,382,842
Infrastructure - Water	27,785,062	58,765,535	27,785,062	58,765,535
Other Assets	6,697,636	2,426,921	6,697,636	2,426,921
	<u>38,093,561</u>	<u>83,639,535</u>	<u>38,093,561</u>	<u>83,639,535</u>

Other movements of Property, Plant and Equipment are in respect of Work-in-Progress completed and transferred to Cost.

Work-in-progress

The municipality has incurred expenditure on capital projects which were not completed at year-end. The details of the carrying amounts of expenditure included in each class of assets are listed below:

Infrastructure - Sewerage	482,522,123	364,092,532	482,522,123	364,092,532
Infrastructure - Water	1,285,207,200	1,146,181,159	1,285,207,200	1,146,181,159
Buildings	23,143,776	22,163,052	23,143,776	22,163,052
	<u>1,790,873,099</u>	<u>1,532,436,743</u>	<u>1,790,873,099</u>	<u>2,829,500,625</u>

Delayed Projects

The following projects are experiencing significant delays.

Controlling Entity Projects

Project name	Completion stage	Reasons for delays
Upgrade of the Thornhill Clear Water PSTN M&E.	92%	The delays were due to unexpected lead time for demolition and building of the new generator house as well as delivery of the generators. Generator room is complete with most equipment install and wiring in progress. The Generators expected to be delivered by end of October 2021.
Two Clear Water Pump stations: M&E	90%	Delays in Lalini Pstn is due to interconnection pipe works not done following termination of Choloz . Eskom also need to be upgraded and they acknowledge the required upgrade but the upgrade plans are unknown. Amatola Water busy with the finalisation of the terminated scope.
Construction of 10ml Megacom Reservoir and Completion of Maydene Reservoir	69%	Delays caused by COVID_19 Lock downs, poor service from concrete suppliers and delay to post tension the reservoir walls and delays in payment to the contractor resulting to site stoppages.
Construction of 10ml Misty Mount Reservoir	35%	Delays caused by COVID-19 lock downs and delays in payment to the contractor resulting to site stoppages.
Construction of 15ml Signal Hill Reservoir	85%	Delays caused by COVID-19 lock downs, failure on the post tension sleeves. Remedial work to rectify blocked post tension sleeves in progress.
Lukhalane Water Supply	Site established	Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Majala Phase 2 Water Supply	36%	Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Nonyikila Water Supply	39%	Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.

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	2021	2020 Restated*	2021	2020 Restated*
8. Property, plant and equipment (continued)				
Project name		Completion stage		Reasons for delays
Nyandeni Ward 28 Sanitation		90%		Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Mpendle Water Supply		62%		Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
KSD Ward 1 Sanitation				Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Ntokoziweni Water Supply Phase 2		Site established		Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Cungce, Mathe and Gqina Water Supply Phase 1		30%		Implementation of all WSIG 2020/2021 projects were delayed due to delays in procurement processes following the instability within the Institution which resulted to some strikes. As of March 2021, four (4) projects were awarded and 3 had to be re-advertised after expiry of the validity period. The poor performance then resulted to budget cut from R90m to R48m. The reduction in budget allocation then resulted to project being earmarked for implementation in 2021/2022 Financial year.
Coffee Bay Regional Water Supply scheme 3B		38%		Delays are due to termination of Gauflora Construction, AW finalizing the procurement of the new Service Provider to complete the scope.
KSD PIP: Mthatha Central and Airport Corridor		95%		The portion of the work not complete is the scope of work which was done by Lelweiro and the contract was terminated. AW busy finalizing the scope required to complete the project.
Extension of Upper Mhlahlane Water Supply		57%		The project has been delayed due to land issues and local forums demands which has resulted to lot of stoppages of the contracts.
Mqanduli Secondary Bulk Water Supply		76%		Delays were due to stoppages by local forums, COVID -19 lock down as the contractors were called back after 15th April 2020 and worked under stringent conditions, material availability was limited as only off-shel items were available items like pipe fitting, pumps had long lead time for delivery, as well as slow progress by some of the contractors which were put in terms to accelerate progress.
Lukhwethu RWS		5%		There were delays in procurement processes which were affected by instability within the Institution and strikes. The Appointment of the 5 Contractors were only done in March 2021.
Rosedale Extension to Libode Water Supply - village reticulation		91%		The project was initially delayed by community protest and demands by local forums. After the issue was resolved the contractors were slow due to cashflow problems and delays by appointed SMMEs.
Ngqeleni Secondary Bulk Water Supply		65%		Delays were due to stoppages by local forums, COVID -19 lock downs and contractors having cash flows problems.
Ntsonyeni Ngqongweni Regional Water Supply Scheme Phase 2A		35%		Inclement weather, deeper excavation, COVID-19 Pandemic, Community protest and demands by local forum resulting to court orders stopping the project
Port St Johns Regional Water Supply Scheme Phase 6		Site Establishment		There were delays in procurement processes which were affected by instability within the Institution and strikes. The project was re-advertised after validity period expired. Appointment of the Contractors were only done in May 2021.
Port St Johns Ward 8		85%		COVID-19 Pandemic which led to scarcity of materials and the slow progress by the Contractor. The delays also due to disagreement on the beneficiaries which led to the contractor starting late with the implementation.
Lusikisiki Sewers & Waste Water Treatment Works Phase 2		20%		The project were delayed by community protest and demands by local forums. After the issue was resolved the contractors were slow in progress due to cashflow problems and some method statements not being approved.
Tsolo Waste Water Treatment Works and Raw Sewerage Pump Station		98%		The portion of scope relates to the M & E which is currently under progress and was delayed due to requirements of the additional funding to complete due to components which were initially not catered for.
Libode Sewerage Treatment works Phase 1		95%		Delays were due to community issues where community demanded construction of a community hall as a reimbursement for the land where the plant is constructed, COVID-19 Lockdowns and slow progress by the contractor due to cashflow projections and demolition /vandalism of concrete structures due to storms.
Mhlontlo Spring Protection		60%		The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.

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	2021	2020 Restated*	2021	2020 Restated*

8. Property, plant and equipment (continued)

Project name	Completion stage	Reasons for delays
Zumbu WWTW Plant & Reticulation (Ponds)	65%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. The required concrete works further delays this project.
Tsolo Raw Water Supply	95%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.
Upper Chulunca WTW	65%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. Upper Chulunca was further delayed by local forums demanding 30% sub-contracting.
KSD Boreholes	30%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. Upper Chulunca was further delayed by local forums demanding 30% sub-contracting.
Ngangelizwe & Kuyasa Sewer	70%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. Ngangelizwe & Kuyasa Sewer was further delayed by local forums demanding 30% sub-contracting.
Mhlontlo Ward 21 Sanitation	70%	COVID-19 Pandemic which led to scarcity of materials and the slow progress by the Contractor.
Mhlontlo Ward 22 Sanitation	95%	COVID-19 Pandemic which led to scarcity of materials and the slow progress by the Contractor.
King Sabata Dalindyebo Ward 18 Sanitation	88%	COVID-19 Pandemic which led to scarcity of materials and the slow progress by the Contractor.
Zumbu Boreholes	95%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. Upper Chulunca Zumbu Boreholes was further delayed by local forums demanding 30% sub-contracting.
Ingqaza Hill Boreholes	85%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021.
Ingqaza Hill Springs	70%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.
Port St Johns Springs	60%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.
Ngqeleni Springs Protection & reticulation	50%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.
Libode Springs	30%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.
Rosedale WTW	40%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. Rosedale WTW was affected by late appointment of the Service Provider.
KSD Springs	50%	The COVID Reprioritized projects were mainly affected by the Council resolution which was only approved in Dec 2021 leading to contractors leaving site though the works had started in June 2021. All Springs protection projects were further delayed by late appointments as they were advertised through 7 day system on the notice boards. Some appointments were done in April 2021.

9. Intangible Assets

Computer Software

Cost / Valuation	15,954,749	15,886,226	13,949,652	13,949,652
Accumulated depreciation and impairment	(14,340,742)	(13,229,680)	(12,819,167)	(11,964,334)
Carrying value	<u>1,614,007</u>	<u>2,656,546</u>	<u>1,130,485</u>	<u>1,985,318</u>

Reconciliation of intangible assets

Opening balance	2,656,547	3,582,059	1,985,319	2,800,811
Additions	68,523	310,958	-	178,000
Amortisation	(1,111,063)	(1,236,471)	(854,834)	(993,492)
	<u>1,614,007</u>	<u>2,656,546</u>	<u>1,130,485</u>	<u>1,985,319</u>

Other information

The amortisation expense has been included in the line item "Depreciation and Amortisation" in the Statement of Financial Performance (see Note 31).

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	2021	2020 Restated*	2021	2020 Restated*

9. Intangible Assets (Continued)

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality. No restrictions apply to any of the Intangible Assets of the municipality.

9.1 Significant Intangible assets

Significant Intangible Assets, that did not meet the recognition criteria for Intangible Assets as stipulated in GRAP 31, are the following:

(i) Website Costs incurred during the last two financial years, if applicable, have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

9.2 Intangible assets with Indefinite useful lives

The municipality amortises all its Intangible Assets and non of such assets are regarded as having indefinite useful lives. The useful lives of the Intangible Assets remain unchanged from the previous year.

9.3 Impairment of Intangible assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

9.4 Work-in-Progress

The municipality had no capital projects for Intangible Assets which were not completed at year-end.

9.5 Delayed Projects

No projects that are currently in progress are experiencing significant delays.

10. Heritage Assets

Economic Entity

Description	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247,025	-	247,025	247,025	-	247,025

Controlling Entity

Description	2021			2020		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Statues and Monuments	247,025	-	247,025	247,025	-	247,025

Economic Entity

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

Controlling Entity

Reconciliation of intangible assets - 2021

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Depreciation	Total
Statues and Monuments	247,025	-	-	247,025

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	2021		2020	
	Restated*		Restated*	

Impairment of Heritage Assets

No impairment losses have been recognised on Heritage Assets of the municipality at the reporting date.

Heritage Assets measured after recognition using the Revaluation Model

The municipality's Heritage Assets are accounted for according to the cost model and therefore no fair value has been determined.

Work-in-Progress

The municipality had no capital projects for Heritage Assets which were not completed at year-end.

Delayed Projects

No projects that are currently in progress are experiencing significant delays

11. Biological Assets

	Fair Value - 2021		Fair Value - 2021	
	Cattle	Cattle	Cattle	Cattle
	R	Qty	R	Qty
Opening balance	15,089,530	1,806	-	-
Acquisitions	2,096,900	259	-	-
Births	95,400	477	-	-
Deaths	(477,300)	(55)	-	-
Gains from change in fair value	2,861,307	-	-	-
Transfers to inventory	(3,665,281)	(417)	-	-
Disposals	(2,826,896)	(695)	-	-
Closing Balance	13,173,660	1,375	-	-
	Fair Value - 2020		Fair Value - 2020	
	Cattle	Cattle	Cattle	Cattle
	R	Qty	R	Qty
Opening balance	13,234,502	1,833	-	-
Acquisitions	947,790	164	-	-
Births	121,800	609	-	-
Deaths	(241,200)	(41)	-	-
Gains from change in fair value	6,482,767	-	-	-
Transfers to inventory	(5,456,129)	(759)	-	-
Closing Balance	15,089,530	1,806	-	-

No title or other restrictions are placed on biological assets and no biological assets were pledged as security for liabilities. There are no commitments for the acquisition of biological assets.

Biological assets are located at Adam Kok Farms and Ikwezi Dairy Farm. The primary activities revolving around biological assets are livestock breeding and heifer exchange.

Financial risk is managed as follows:

- Livestock is insured.
- Regular inspection and maintenance of boundary fences to manage movement of biological assets.
- Regular monitoring and reporting of quantities by Entity staff.
- A contract is entered into with a Veterinarian for medication and vaccination.
- Livestock is regularly vaccinated.

The effective date of the assessments and valuation was 30 June 2021. Valuations were performed by an independent professional veterinarian, Dr M.J. Guma, a registered veterinarian in terms of Veterinary and Para-Veterinary Professions Act No. 19 of 1982.

12. Deferred tax	2021	2020	2021	2020
Opening balance	7,219,551	7,219,551	-	-
Current income tax	-	-	-	-
	7,219,551	7,219,551	-	-

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
12. Deferred tax (Continued)				
Deferred Tax is comprised of:				
Opening balance	(7,219,551)	(7,219,551)	-	-
Current movement:				
- Unrealised Losses	223,366	(23,386)	-	-
- Leave Pay	61,106	223,568	-	-
- Bonuses	(43,813)	120,885	-	-
- Assets amortisation and impairments	(284,697)	(321,067)	-	-
	(7,263,588)	(7,219,551)	-	-

The deferred tax amount relates to unused tax credits. It is recognised to the extent that there will be future taxable profits in excess of profits arising from the reversal of existing taxable temporary differences. At the end of the 2020/2021 financial year the Entity reviewed the carrying amount of the deferred tax asset and concluded that in the foreseeable future it is not probable that sufficient taxable profit will be available to allow the benefit of the deferred tax asset to be utilised beyond the balance carried forward from the 2019/20 financial year. The estimated tax loss available for set off against future taxable income amounts to R15,549,655 and in 2019/20 it was R11,403,286.

2020/21 Income tax can be reconciled to accounting profit / loss as follows:

Accounting (Loss) / Profit	(11,471,628)	(6,114,760)	-	-
Tax effect on loss before tax	(3,212,056)	(1,712,133)	-	-
Adjusted for tax effect of:				
- Fair Value Adjustments	(694,234)	(1,781,743)	-	-
- Donations	-	(689,859)	-	-
- Assets write-offs	-	-	-	-
- Temporary timing differences	(240,079)	-	-	-
Tax amount not recognised	(4,146,369)	(4,183,735)	-	-
Tax credited to Statement of Financial Performance	-	-	-	-

Tax losses can be reconciled as follows:

Loss before tax	(11,471,628)	(6,114,760)	-	-
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Income Tax at a rate of 28%

Tax rate reconciliation				
Standard Income Tax Rate	28%	28%	-	-
Adjusted as follows:-				
- Fair value adjustments	6%	29%	-	-
- Donations	0%	11%	-	-
- Assets write-offs	0%	0%	-	-
- Temporary timing differences	2%	0%	-	-
- Tax amount not recognised	-36%	-68%	-	-
	-	-	-	-

13. Consumer deposits

Water	3,694,728	3,449,431	3,694,728	3,449,431
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Consumer Deposits are paid by consumers on application for new water connections. The deposits are repaid when the water connections are terminated. In cases where consumers default on their accounts, the municipality can utilise the deposit as payment for the outstanding account. No interest is paid or accrued on Consumer Deposits held.

14. Employee benefit liabilities - Current portion

Post-retirement Medical Aid Benefits Liability	1,358,000	891,000	1,358,000	891,000
Long-term Service Liability	6,536,000	4,139,000	6,536,000	4,139,000
	7,894,000	5,030,000	7,894,000	5,030,000

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	2021	2020 Restated*	2021	2020 Restated*

15. Employee benefit liabilities - Current portion (Continued)

The movement in provisions are reconciled as follows:

30 June 2021	Long-term Service	Post-retirement	Long-term Service	Post-retirement
Balance at beginning of year	4,139,000	680,000	4,139,000	680,000
Transfer from non-current	4,139,000	891,000	4,139,000	891,000
Expenditure incurred	(3,212,000)	(717,000)	(3,212,000)	(717,000)
(Over) / Under-Provision	681,000	37,000	681,000	37,000
	<u>5,747,000</u>	<u>891,000</u>	<u>5,747,000</u>	<u>891,000</u>

30 June 2020	Long-term Service	Post-retirement	Long-term Service	Post-retirement
Balance at beginning of year	2,531,000	680,000	2,531,000	680,000
Transfer from non-current	4,139,000	891,000	4,139,000	891,000
Expenditure incurred	(3,212,000)	(717,000)	(3,212,000)	(717,000)
(Over) / Under-Provision	681,000	37,000	681,000	37,000
	<u>4,139,000</u>	<u>891,000</u>	<u>4,139,000</u>	<u>891,000</u>

15. Payables from exchange transactions

Trade payables	279,771,003	254,155,423	285,659,891	253,776,142
Payments received in advanced	14,073,377	12,570,667	14,073,377	12,570,667
Retentions	75,227,712	67,638,792	75,227,712	67,638,792
Staff bonuses	14,434,873	13,486,974	13,328,604	12,224,229
Staff leave	97,874,263	86,314,765	93,069,172	81,727,910
Other Creditors	3,425,770	4,369,336	177,744	177,162
	<u>484,806,998</u>	<u>438,535,957</u>	<u>481,536,500</u>	<u>428,114,902</u>

Staff Bonuses

Staff Bonuses accrue to the staff of the entity on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

Staff Leave

Staff Leave accrues to the staff of the municipality on an annual basis, subject to certain conditions. The provision is an estimate of the amount due at the reporting date.

No interest is charged for the first 30 days from the date of receipt of the invoice. Thereafter interest is charged in accordance with the credit policies of the various individual creditors that the municipality deals with. The municipality has policies in place to ensure that all payables are paid within the credit timeframe. The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

16. Payables from Non-exchange Transactions

Sundry Creditors	163,562,407	12,423,388	163,562,407	12,423,388
Salaries control accounts	261,825	136,716	261,824	136,712
SURUDEEC - Baziya Sustainable Village Projec	446,974	446,974	-	-
	<u>164,271,206</u>	<u>13,007,078</u>	<u>163,824,231</u>	<u>12,560,100</u>

No credit period exists for Payables from Non-exchange Transactions, neither has any credit period been arranged. No interest is charged on outstanding amounts. The municipality did not default on any payment of its Creditors. No terms for payment have been renegotiated by the municipality.

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

The Unspent Conditional Grants and Receipts are invested in investment accounts until utilised.

National: WSIG Funds	42,805,609	75,157,569	42,805,609	75,157,569
National: RBIG Funds	36,288,140	192,323,878	36,288,140	192,323,878
National: MIG Funds	112,334,797	179,952,525	112,334,797	179,952,525
National: FMG Funds	-	685	-	685
National: RAMS	21,999	-	21,999	-
Provincial: EC Housing	56,142,543	-	56,142,543	-
Other Grant Providers	202,569	324,760	-	-
	<u>247,795,657</u>	<u>447,759,417</u>	<u>247,593,088</u>	<u>447,434,657</u>

See Note 24 for the reconciliation of Grants from Government. The Unspent Grants are cash backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised.

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
18. VAT Payable				
SARS - VAT Payable	8,589,316	4,751,980	-	-
	<u>8,589,316</u>	<u>4,751,980</u>	<u>-</u>	<u>-</u>
19. Current Portion of Long-term Liabilities				
Capitalised Lease Liability - At amortised cost	364,234	209,956	-	-
Current Portion - Capitalised lease liability - At amortised cost	(296,953)	(87,536)	-	-
	<u>67,281</u>	<u>122,420</u>	<u>-</u>	<u>-</u>
Total long term liabilities - at amortised cost using the effective interest rate method.	<u>67,281</u>	<u>122,420</u>	<u>-</u>	<u>-</u>
Future minimum lease payments of the finance lease				
Up to 1 year	296,953	87,536	-	-
1 to 3 years	67,281	122,420	-	-
More than 3 years	-	-	-	-
	<u>364,234</u>	<u>209,956</u>	<u>-</u>	<u>-</u>

The minimum lease periods are 36 months and 24 months with the final lease payments made on 01/09/2022 and 10/01/2022 respectively.

The capitalised lease liability consists of the following contracts:

Supplier/Description of the leased item	Effective	Escalation
Vodacc ThinkPad Smart PC's	10%	0%
Vodacom	7%	0%

21. Employee benefit liabilities

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	107,466,861	88,881,861	107,466,861	88,881,861
Present value of the defined benefit obligation-partly or wholly funded	36,058,000	30,057,000	36,058,000	30,057,000
	<u>143,524,861</u>	<u>118,938,861</u>	<u>143,524,861</u>	<u>118,938,861</u>
Actuarial Gain / (Loss)				
Health Care Benefits	1,566,000	17,530,000	1,566,000	17,530,000
Long Service Awards	(6,937,000)	(4,274,000)	(6,937,000)	(4,274,000)
	<u>(5,371,000)</u>	<u>13,256,000</u>	<u>(5,371,000)</u>	<u>13,256,000</u>
Post-retirement health care benefits liability				
Opening balance	88,881,861	88,482,861	88,881,861	88,482,861
Contributions by plan participants	19,542,000	1,116,000	19,542,000	1,116,000
Assumed in an entity combination	(957,000)	(717,000)	(957,000)	(717,000)
	<u>107,466,861</u>	<u>88,881,861</u>	<u>107,466,861</u>	<u>88,881,861</u>

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2019 by Alexander Forbs, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

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	2021	2020 Restated*	2021	2020 Restated*

21. Employee benefit liabilities (Continued)

The members of the Post-employment Health Care Benefit Plan are made up as follows:

In-service members (Employees)	681	673	681	673
In-service non-members (Employees)	470	478	470	478
Continuation members (Retirees, widowers and orphans)	20	8	20	8
	<u>1,171</u>	<u>1,159</u>	<u>1,171</u>	<u>1,159</u>

The liability in respect of past service has been estimated as follows:

In-service members (Employees)	81,387,000	71,535,000	81,387,000	71,535,000
In-service non-members (Employees)	18,072,000	15,181,000	18,072,000	15,181,000
Continuation members (Retirees, widowers and orphans)	9,366,000	3,057,000	9,366,000	3,057,000
	<u>108,825,000</u>	<u>89,773,000</u>	<u>108,825,000</u>	<u>89,773,000</u>

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas	- GEMS
- Fedhealth	- Keyhealth
- Hosmed	
- LA Health	
- Medshield	
- Samwumed	

The Current-service Cost for the year ending 30 June 2020 is estimated to be R9 086 000, whereas the cost for the ensuing year is estimated to be R8 266 000 (30 June 2019: R9 099 000 and R10 819 000 respectively).

Net expense recognised in the statement of financial performance

Current service cost	8,266,000	9,086,000	8,266,000	9,086,000
Past service cost	89,772,681	89,162,681	89,772,681	89,162,681
Interest cost	13,309,000	9,771,000	13,309,000	9,771,000
Actuarial (gains) losses	(1,566,000)	(17,530,000)	(1,566,000)	(17,530,000)
Settlement	(957,000)	(717,000)	(957,000)	(717,000)
	<u>108,824,681</u>	<u>89,772,681</u>	<u>108,824,681</u>	<u>89,772,681</u>

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.6%	14.9%	12.6%	14.9%
Medical cost trend rates	12.6%	11.2%	12.6%	11.2%
Proportion of employees opting for early retirement	12.6%	3.3%	12.6%	3.3%

Expected Retirement age

Expected Retirement Age - Males and Femc	63	63	63	63
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The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<u>108,824,681</u>	<u>90,382,681</u>	<u>108,824,681</u>	<u>90,382,681</u>
Unfunded Accrued Liability	<u>108,824,681</u>	<u>90,382,681</u>	<u>108,824,681</u>	<u>90,382,681</u>
Total Benefit Liability	<u>108,824,681</u>	<u>90,382,681</u>	<u>108,824,681</u>	<u>90,382,681</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current Service Cost	8,266,000	9,086,000	8,266,000	9,086,000
Interest Cost	13,309,000	9,771,000	13,309,000	9,771,000
Actuarial Losses / (Gains)	(1,566,000)	(17,530,000)	(1,566,000)	(17,530,000)
	<u>20,009,000</u>	<u>1,327,000</u>	<u>20,009,000</u>	<u>1,327,000</u>

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

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	2021	2020 Restated*	2021	2020 Restated*

21. Employee benefit liabilities (Continued)

	One percentage point increase	One percentage point increase	One percentage point increase	One percentage point increase
Increase: -				
Effect on the aggregate of current service cost and the interest cost	21,922,319	17,916,319	21,922,319	17,916,319
Effect on defined benefit obligation	130,747,000	107,689,000	130,747,000	107,689,000
Decrease: -				
Effect on the aggregate of current service cost and the interest cost	(17,368,681)	(14,262,681)	(17,368,681)	(14,262,681)
Effect on defined benefit obligation	91,456,000	75,510,000	91,456,000	75,510,000

The municipality expects to make a contribution of R8 266 000 (2019: R9 086 000) to the Defined Benefit Plans during the next financial year.

Long Service Awards Liability

Balance at the beginning of the year	30,057,000	25,057,191	30,057,000	25,057,191
Contributions to provision	11,031,000	9,819,809	11,031,000	9,819,809
Transfer to Current Provisions	(5,030,000)	(4,820,000)	(5,030,000)	(4,820,000)
	<u>36,058,000</u>	<u>30,057,000</u>	<u>36,058,000</u>	<u>30,057,000</u>

The municipality operates an unfunded defined benefit plan for all its employees. Under the plan, a Long service Bonus Award is payable after 5 years of continuous service, and every 5 years of continuous service thereafter to 45 years, to employees. The provision is an estimate of the long-service based on historical staff turnover. No other long-service benefits are provided to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2021 by Alexander Forbs, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method

At year end, 1 106 (2020: 1 097) employees were eligible for Long-service Awards.

The Current-service Cost for the year ending 30 June 2021 is estimated to be R3 927 000, (30 June 2020: R3 211 000).

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rates used	8.0%	7.2%	8.0%	7.2%
Expected Retirement Age - Males and Femc	63	63	63	63

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	34,196,000	27,588,191	34,196,000	27,588,191
Current Service Costs	3,927,000	3,211,000	3,927,000	3,211,000
Interest Costs	2,564,000	2,335,000	2,564,000	2,335,000
Benefits paid	(5,030,000)	(3,212,000)	(5,030,000)	(3,212,000)
Actuarial Losses / (Gains)	6,937,000	4,274,000	6,937,000	4,274,000
Rounding Adjustment	0	191.00	0	(191)
	<u>42,594,000</u>	<u>34,196,191</u>	<u>42,594,000</u>	<u>34,196,000</u>

The amounts recognised in the Statement of Financial Position are as follows:

Present value of fund obligations	<u>42,594,000</u>	<u>34,196,000</u>	<u>42,594,000</u>	<u>34,196,000</u>
Unfunded accrued liability	<u>42,594,000</u>	<u>34,196,000</u>	<u>42,594,000</u>	<u>34,196,000</u>
Total Benefit Liability	<u>42,594,000</u>	<u>34,196,000</u>	<u>42,594,000</u>	<u>34,196,000</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service	3,927,000	3,211,000	3,927,000	3,211,000
Interest cost	2,564,000	2,335,000	2,564,000	2,335,000
Actuarial Losses / (Gains)	6,937,000	4,274,000	6,937,000	4,274,000
	<u>13,428,000</u>	<u>9,820,000</u>	<u>13,428,000</u>	<u>9,820,000</u>

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	2021	2020 Restated*	2021	2020 Restated*

21. Employee benefit liabilities (Continued)

The history of experienced adjustments is as follows:

Present value of Defined Benefit Obligation	42,594,000	34,196,000	42,594,000	34,196,000
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The effect of a 1% movement in the assumed rate of long service cost inflation is as follows:

Increase:				
Effect on the aggregate of current service cost and the interest cost	2,402,000	(1,741,000)	2,402,000	(1,741,000)
Effect on defined benefit obligation	44,996,000	32,455,000	44,996,000	32,455,000
Decrease				
Effect on the aggregate of current service cost and the interest cost	(2,184,000)	1,909,000	(2,184,000)	1,909,000
Effect on defined benefit obligation	40,410,000	36,105,000	40,410,000	36,105,000

The municipality expects to make a contribution of R13 428 000 (2020: R9 820 000) to the defined benefit plans during the next financial year.

22. Accumulated surplus

The Accumulated Surplus consists of the following Internal Funds and Reserves:

Accumulated Surplus / (Deficit) due to the results of Operations	<u>6,818,342,682</u>	<u>6,517,552,028</u>	<u>6,750,537,624</u>	<u>6,438,275,342</u>
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Refer to Statement of Changes in Net Assets for more detail and the movement on Accumulated Surplus.

23. Service charges

Sale of water	239,824,142	218,010,284	239,824,142	218,010,284
Sewerage and sanitation charges	60,340,074	56,824,017	60,340,074	56,824,017
	<u>300,164,216</u>	<u>274,834,301</u>	<u>300,164,216</u>	<u>274,834,301</u>

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

24. Rental of facilities and equipment

Venue hire	<u>323,478</u>	<u>698,817</u>	<u>7,170</u>	<u>36,582</u>
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Rental revenue earned on facilities and equipment is in respect of hall and equipment rented out.

25. Interest earned

Bank Accounts	6,353,744	6,544,308	6,158,788	6,158,788
Investments	9,303,159	20,663,444	9,303,159	20,663,444
	<u>15,656,903</u>	<u>27,207,752</u>	<u>15,461,947</u>	<u>26,822,232</u>

Outstanding Billing Debtors	<u>24,970,985</u>	<u>27,544,912</u>	<u>24,970,985</u>	<u>27,544,912</u>
	<u>40,627,888</u>	<u>54,752,664</u>	<u>40,432,932</u>	<u>54,367,144</u>

26. Operational revenue

Nlinga Operations	19,744,088	21,833,248	-	-
Tender documents	459,518	994,011	-	-
Sundry Income	1,637,882	371,136	1,637,882	371,136
	<u>21,841,488</u>	<u>23,198,395</u>	<u>1,637,882</u>	<u>371,136</u>

The amounts disclosed above for Operational revenue are in respect of services, other than described in Notes 23 to 25 which are billed to or paid for by the users as the services are required according to approved tariffs.

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	2021	2020 Restated*	2021	2020 Restated*

27. Income from Agency Services

Commission Received	<u>631,100</u>	<u>1,096,070</u>	<u>217,997</u>	<u>186,995</u>
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The amounts disclosed above is generated from commission fees received from third parties for deducting and paying over the amounts (Garnish orders) deducted from employees

28. Transfers and subsidies received

Equitable share	1,088,525,160	837,374,000	1,088,525,160	837,374,000
Other Subsidies	707,131,64	89,931,67	-	-
	<u>1,089,232,292</u>	<u>837,463,932</u>	<u>1,088,525,160</u>	<u>837,374,000</u>

Conditional grants

National: EPWP	6,517,000	6,294,000	6,517,000	6,294,000
National: FMG	2,000,685	2,114,315	2,000,685	2,114,315
National: MIG	486,291,795	499,059,281	486,291,795	499,059,281
National: WSIG	55,991,620	154,577,349	55,991,620	154,577,349
National: Department of Roads and Transpc	2,940,000	3,112,000	2,940,000	3,112,000
National: RBIG	90,822,495	181,444,115	90,822,495	181,444,115
National: MDRG	-	4,201,000,00	-	4,201,000
Provincial: EC Housing	26,578,957	12,771,420	26,578,957	12,771,420
SITA Skills Development Grant	856,455	1,116,661	856,455	1,116,661
	<u>671,999,007</u>	<u>864,690,141</u>	<u>671,999,007</u>	<u>864,690,141</u>
	<u>1,761,231,299</u>	<u>1,702,154,073</u>	<u>1,760,524,167</u>	<u>1,702,064,141</u>

In terms of MFMA circular No 48 all conditional allocations (excluding interest earned thereon) that at year-end are not utilised, must revert back to the National Revenue Fund unless the relevant receiving officer can prove to the satisfaction of the National Treasury that the unspent allocation is committed to identifiable projects.

National: EPWP Funds

Current-year receipts	6,517,000	6,294,000	6,517,000	6,294,000
Conditions met - transferred to revenue:	<u>(6,517,000)</u>	<u>(6,294,000)</u>	<u>(6,517,000)</u>	<u>(6,294,000)</u>
	-	-	-	-

Conditions still to be met - remain liabilities (see note 17).

The Financial Management Grant is paid by the National Treasury to municipalities to help implement the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

National: FMG Funds

Balance unspent at beginning of year	685	-	685	-
Current-year receipts	2,000,000	2,115,000	2,000,000	2,115,000
Conditions met - transferred to revenue:	<u>(2,000,685)</u>	<u>(2,114,315)</u>	<u>(2,000,685)</u>	<u>(2,114,315)</u>
	-	685.00	-	685.00

Conditions still to be met - remain liabilities (see note 17).

National: WSIG Funds

Balance unspent at beginning of year	75,157,569	129,658,643.00	75,157,569	129,658,643
Conditions not met - withheld	(25,000,000)	-	(25,000,000)	-
Current-year receipts	48,400,000	100,000,000	48,400,000	100,000,000.00
Conditions met - transferred to revenue	<u>(55,991,620)</u>	<u>(154,501,074)</u>	<u>(55,991,620)</u>	<u>(154,501,074)</u>
	<u>42,565,949</u>	<u>75,157,569</u>	<u>42,565,949</u>	<u>75,157,569</u>

Conditions still to be met - remain liabilities (see note 17). This grant was received for the building and maintenance of water and sanitation infrastructure in the district. R25 000 000 has been withheld.

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	2021	2020 Restated*	2021	2020 Restated*
28. Transfers and subsidies received (Continued)				
National: Regional Bulk Infrastructure Grant (RBIG)				
Balance unspent at beginning of year	192,323,878	164,069,993	192,323,878	164,069,993
Conditions not met - withheld	(164,069,993)	-	(164,069,993)	-
Current-year receipts	100,000,000	209,698,000	100,000,000	209,698,000
Conditions met - transferred to revenue	(90,822,495)	(181,444,115)	(90,822,495)	(181,444,115)
	<u>37,431,390</u>	<u>192,323,878</u>	<u>37,431,390</u>	<u>192,323,878</u>
Conditions still to be met - remain liabilities (see note 17). This grant was received for the building and maintenance of water and sanitation infrastructure in the district. R164 069 993 was withheld by the National Treasury.				
National: Department Roads and Transport				
Current-year receipts	2,962,000	3,112,000	2,962,000	3,112,000
Conditions met - transferred to revenue	(2,940,000)	(3,112,000)	(2,940,000)	(3,112,000)
	<u>22,000.00</u>	<u>-</u>	<u>22,000.00</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
Provincial: EC Housing				
Current-year receipts - No Conditions	26,578,957	-	26,578,957	-
Current-year receipts - Conditional	56,142,542	11,953,078	56,142,542	11,953,078
Conditions met - transferred to revenue	(26,578,957)	(11,953,078)	(26,578,957)	(11,953,078)
	<u>56,142,542.23</u>	<u>-</u>	<u>56,142,542.23</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 17).				
National: MIG				
Balance unspent at beginning of year	179,952,526	45,177,167	179,952,526	45,177,167
Conditions not met - withheld	(45,177,167)	-	(45,177,167)	-
Current-year receipts	463,147,000	633,395,000	463,147,000	633,395,000
Conditions met - transferred to revenue	(486,291,795)	(498,619,642)	(486,291,795)	(498,619,642)
	<u>111,630,563</u>	<u>179,952,526</u>	<u>111,630,563</u>	<u>179,952,526</u>
Conditions still to be met - remain liabilities (see note 17). R45 177 167 was withheld by the National Treasury.				
National: MDG				
Current-year receipts	-	4,201,000	-	4,201,000
Conditions met - transferred to revenue	-	(4,201,000)	-	(4,201,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
National: SITA Skills Development Grant				
Current-year receipts	856,455	916,225	856,455	916,225
Conditions met - transferred to revenue: Operating expenses	(856,455)	(916,225)	(856,455)	(916,225)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
No funds have been withheld.				

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
29. Employee related costs				
Basic Salaries	459,392,782	438,342,140	426,987,831	406,294,345
Bonus	32,020,302	31,486,852	29,849,077	29,116,738
Medical aid - company contributions	20,750,664	19,782,816	20,750,664	19,782,816
UIF	3,174,099	3,142,044	2,603,091	2,588,782
SDL	5,391,395	4,834,174	5,391,395	4,834,174
Leave pay provision charge	21,153,703	28,689,512	20,223,415	27,858,918
Overtime payments	61,036,922	58,379,135	60,937,719	58,379,135
Long-service awards	(894,602)	251,713	(894,602)	251,713
Acting allowances	1,339,377	2,586,056	1,339,377	2,586,056
Travel Allowances	36,202,284	33,499,317	36,202,284	33,499,317
Housing benefits and allowances	20,356,420	19,231,736	20,356,420	19,231,736
Telephone allowance	5,534,295	5,902,014	5,534,295	5,902,014
Contributions: Group Life Insurance	17,439,317	14,387,422	17,439,317	14,387,422
Defined Benefit Plan expense	8,266,000	8,368,000	8,266,000	8,368,000
Pensions - Company Contributions	66,170,855	61,437,467	62,393,972	57,685,038
Other Allowances	48,645,481	5,476,871	43,516,837	-
	805,979,294	735,797,269	760,897,092	690,766,204

REMUNERATION OF SECTION 57 EMPLOYEES:

Remuneration of Municipal Manager

Annual Remuneration	735,073	1,260,125	735,073	1,260,125
Car Allowance	70,000	120,000	70,000	120,000
Bonuses	105,010	78,448	105,010	78,448
Contributions to UIF, Salga, Group life and SDL	57,523	57,715	57,523	57,715
Cellphone Allowance	23,682	36,000	23,682	36,000
Housing Subsidy	140,000	240,000	140,000	240,000
	1,131,288	1,792,288	1,131,288	1,792,288

Remuneration of Chief Financial Officer

Annual Remuneration	900,484	900,484	900,484	900,484
Car Allowance	526,975	526,975	526,975	526,975
Contributions to UIF, Salga, Group life and SDL	57,523	50,283	57,523	50,283
Cellphone Allowance	17,167	17,500	17,167	17,500
	1,502,149	1,495,242	1,502,149	1,495,242

Chief Executive Officer (CEO) resigned and an acting person was appointed to the position of the CEO with effect from December 2020.

Remuneration of the Chief Financial Officer - Ntinga

Annual Remuneration	868,482	1,075,480	-	-
Acting Allowance	221,276	-	-	-
Travel Allowance	127,147	126,123	-	-
Cellphone Allowance	33,585	47,661	-	-
Annual Bonus - 13th Cheque	78,446	72,935	-	-
Pension	112,903	134,001	-	-
	1,441,838	1,456,199	-	-

Remuneration of Director: Chief of Staff - Office of the Executive Mayor

Annual Remuneration	875,080	686,310	875,080	686,310
Car Allowance	180,000	105,000	180,000	105,000
Contributions to UIF, Salga, Group life and SDL	44,099	28,757	44,099	28,757
Cellphone Allowance	7,620	2,500	7,620	2,500
	1,106,799	822,567	1,106,799	822,567

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	2021	2020 Restated*	2021	2020 Restated*
29. Employee related costs (Continued)				
Remuneration of Director: Community and Social Affairs				
Annual Remuneration	1,159,964	1,159,964	1,159,964	1,159,964
Car Allowance	180,000	180,000	180,000	180,000
Bonuses	96,664	87,495	96,664	87,495
Contributions to UIF, Salga, Group life and SDL	56,398	48,452	56,398	48,452
Cellphone Allowance	-	-	-	20,000
	<u>1,493,026</u>	<u>1,475,911</u>	<u>1,493,026</u>	<u>1,495,911</u>
Remuneration of the Director: Corporate Services				
Annual Remuneration	1,187,459	1,187,459	1,187,459	1,187,459
Car Allowance	240,000	240,000	240,000	240,000
Contributions to UIF, Salga, Group life and SDL	58,735	51,372	58,735	51,372
Other Allowances	8,922	-	8,922	-
	<u>1,495,116</u>	<u>1,478,831</u>	<u>1,495,116</u>	<u>1,478,831</u>
Remuneration of the Director: Human Settlement				
Annual Remuneration	806,823	806,823	806,823	806,823
Car Allowance	389,504	389,504	389,504	389,504
Bonuses	67,235	67,235	67,235	67,235
Contributions to UIF, Medical and Pension Funds	29,657	29,657	29,657	29,657
	<u>1,293,219</u>	<u>1,293,219</u>	<u>1,293,219</u>	<u>1,293,219</u>
Remuneration of the Director: Technical Services				
Annual Remuneration	993,810	993,810	993,810	993,810
Car Allowance	180,000	180,000	180,000	180,000
Bonuses	82,818	79,578	82,818	79,578
Contributions to UIF, Salga, Group life and SDL	56,455	49,503	56,455	49,503
Cellphone Allowance	19,606	21,594	19,606	21,594
Housing Subsidy	180,000	180,000	180,000	180,000
	<u>1,512,688</u>	<u>1,504,485</u>	<u>1,512,688</u>	<u>1,504,485</u>
Remuneration of the Director: Office of the Executive Mayor				
Annual Remuneration	120,000	120,000	120,000	120,000
Car Allowance	101,633	98,393	101,633	98,393
Bonuses	56,680	-	56,680	-
Contributions to UIF, Salga, Group life and SDL	-	-	-	-
Cellphone Allowance	1,551,751	1,449,984	1,551,751	1,449,984
	<u>278,313</u>	<u>218,393</u>	<u>1,830,064</u>	<u>1,668,377</u>
Remuneration of the Director: Rural and Economic Development				
Annual Remuneration	180,000	180,000	180,000	180,000
Car Allowance	96,208	92,968	96,208	92,968
Bonuses	56,499	51,755	56,499	51,755
Contributions to UIF, Salga, Group life and SDL	-	-	-	-
Cellphone Allowance	-	-	-	-
	<u>332,707</u>	<u>324,722</u>	<u>332,707</u>	<u>324,722</u>
Remuneration of the Director: Internal Audit				
Annual Remuneration	458,082	701,625	180,000	180,000
Car Allowance	105,000	193,420	83,351	61,395
Car Allowance	105,000	193,420	49,927	38,027
Contributions to UIF, Salga, Group life and SDL	14,221	30,932	-	-
Cellphone Allowance	-	109,063	-	-
	<u>682,303</u>	<u>1,228,460</u>	<u>313,278</u>	<u>279,422</u>

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	2021	2020 Restated*	2021	2020 Restated*
29. Employee related costs (Continued)				
Remuneration of the Director: Speaker's Office / Legislature				
Annual Remuneration	180,000	180,000	180,000	180,000
Car Allowance	97,017	92,895	97,017	92,895
Bonuses	56,572	52,524	56,572	52,524
Contributions to UIF, Salga, Group life and SDL	-	286,537	-	286,537
Leave Benefits	32,738	20,000	32,738	20,000
Cellphone Allowance			1,530,534	1,796,163
	366,327	611,957	1,896,861	2,428,120
Remuneration of the Chief of Staff: Speaker's Office / Legislature				
Annual Remuneration	274,272	570,348	274,272	570,348
Car Allowance	60,000	15,000	60,000	15,000
Contributions to UIF, Salga, Group life and SDL	30,253	21,955	30,253	21,955
Leave Benefits	69,259	-	69,259	-
	433,783	607,302	433,783	607,302
Chief of Staff: Speaker's Office / Legislature resigned in October 2020				
Remuneration of the Director: Municipal Managers Office				
Annual Remuneration	1,187,459	1,187,459	1,187,459	1,187,459
Car Allowance	240,000	240,000	240,000	240,000
Contributions to UIF, Salga, Group life and SDL	58,707	51,435	58,707	51,435
Cellphone Allowance	27,272	22,202	27,272	22,202
	1,513,438	1,501,096	1,513,438	1,501,096
Remuneration of the Director: Water Services				
Annual Remuneration	1,116,449	1,116,449	1,116,449	1,116,449
Car Allowance	122,400	122,400	122,400	122,400
Contributions to UIF, Salga, Group life and SDL	58,807	51,528	58,807	51,528
Housing Subsidy	111,963	111,963	111,963	111,963
Cellphone Allowance	24,000	41,411	24,000	41,411
	1,409,619	1,402,341	1,433,619	1,443,753
Remuneration of the Senior Manager Water Services - Ntinga				
Annual Remuneration	856,378	1,021,092	-	-
Travel Allowance	95,106	113,399	-	-
Cellphone Allowance	22,345	26,642	-	-
Annual Bonus - 13th Cheque	110,641	73,379	-	-
Pension	111,329	132,742	-	-
Leave gratuity	205,786	-	-	-
	1,401,584	1,367,253	-	-
The position was filled for a period of nine (9) months from July 2020 to March 2021. Contract of employment expired and the vacancy was not filled.				
Remuneration of the Corporate Service Manager - Ntinga				
Annual Remuneration	1,244,582	1,010,150	-	-
Travel Allowance	213,188	216,368	-	-
Annual Bonus - 13th Cheque	91,010	84,616	-	-
Pension	150,321	131,319	-	-
	1,699,101	1,442,453	-	-
Remuneration of the Senior Manager Trading Enterprises - Ntinga				
Annual Remuneration	1,060,921	1,010,401	-	-
Travel Allowance	162,225	154,500	-	-
Annual Bonus - 13th Cheque	74,552	35,083	-	-
Pension	137,919	131,352	-	-
	1,435,616	1,331,335	-	-

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
29. Employee related costs (Continued)				
Remuneration of the Company Secretary - Ntinga				
Annual Remuneration	752,221	781,452	-	-
Travel Allowance	112,731	115,565	-	-
Cellphone Allowance	-	12,437	-	-
Annual Bonus - 13th Cheque	60,944	57,605	-	-
Pension	97,789	101,589	-	-
	<u>1,023,684</u>	<u>1,068,647</u>	<u>-</u>	<u>-</u>
Staff Leave Benefits				
Chief of Staff: Speaker's Office / Legislature	69,259	-	69,259	-
Director: Speaker's Office / Legislature	-	286,537	-	286,537
	<u>69,259</u>	<u>286,537</u>	<u>69,259</u>	<u>286,537</u>
30. Remuneration of councillors and Board Members				
Executive Mayor	1,054,153	1,057,241	1,054,153	1,057,241
Deputy Executive Mayor	841,042	867,686	841,042	867,686
Mayoral Committee Members	7,649,546	6,619,042	7,649,546	6,619,042
Speaker	840,892	846,368	840,892	846,368
Councillors	9,167,921	11,230,714	9,167,921	11,230,714
Traditional Leaders	830,961	690,976	830,961	690,976
	<u>20,384,515</u>	<u>21,312,027</u>	<u>20,384,515</u>	<u>21,312,027</u>
Board of Directors - Ntinga				
Sitting allowances and re-imbursing travel costs	827,482	800,069	-	-
Accommodation and travel costs	-	132,037	-	-
	<u>827,482</u>	<u>932,106</u>	<u>-</u>	<u>-</u>
	<u>21,211,997</u>	<u>22,244,133</u>	<u>20,384,515</u>	<u>21,312,027</u>
In-kind benefits				
The Councillors occupying the position of Executive Mayor, Speaker and Mayoral Committee Members of the municipality serve in a full-time capacity. Each of these Councillors are provided with office accommodation and secretarial support at the expense of the municipality in order to enable them to perform their official duties.				
The Executive Mayor is entitled to stay at the mayoral residence owned by the Council at less than market related rate. The Executive Mayor has use of a Council owned vehicle for official duties. The Mayor has one full-time bodyguard and a full-time driver.				
Members of the Board are non-executive directors. In order to enable them to carry out their responsibilities efficiently and effectively some members are provided with computer equipment and data bundles. Except for the Board Chairperson members are divided to serve in board committees. *Mrs. Makuni serves as an independent member of the Audit and Risk Committee only.				
31. Depreciation and amortisation				
Property, plant and equipment	240,702,930	230,721,717	235,544,118	225,498,657
Intangible assets	1,111,063	1,236,470	854,834	993,492
	<u>241,813,993</u>	<u>231,958,187</u>	<u>236,398,952</u>	<u>226,492,149</u>
32. Impairment Loss				
Receivables from exchange transactions	19,711,137	85,064,755	19,619,724	84,964,462
Long-Term Debt impairment adjustment	-	2,200,000	-	2,200,000
Asset impairment adjustment	11,444,253	19,554,878	11,444,253	19,554,878
Derecognised assets	2,700,775	22,004,869	2,700,775	22,004,869
	<u>33,856,165</u>	<u>128,824,502</u>	<u>33,764,752</u>	<u>128,724,209</u>
33. Bad Debts Written off				
Employee benefit obligation: Interest Cost	19,587,153	10,766,969	19,587,153	10,766,969
	<u>19,587,153</u>	<u>10,766,969</u>	<u>19,587,153</u>	<u>10,766,969</u>

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
34. Finance Costs				
Employee benefit obligation: Interest Cost	15,873,000	12,106,000	15,873,000	12,106,000
Other interest paid	641,765	575,121	544,179	505,101
	<u>16,514,765</u>	<u>12,681,121</u>	<u>16,417,179</u>	<u>12,611,101</u>
The "Other interest paid" relates to interest paid to the Eskom, DWA, KSD Municipality and Telkom overdue accounts.				
35. Bulk purchases				
Water	42,386,303	54,855,812	42,386,303	54,855,812
	<u>42,386,303</u>	<u>54,855,812</u>	<u>42,386,303</u>	<u>54,855,812</u>
Bulk Purchases are the cost of commodities not generated by the municipality, which the municipality distributes in the municipal area for resale to the consumers. Water is purchased from the Department of Water Affairs.				
36. Contracted services				
Professional Services	20,310,990	13,291,722	20,097,863	13,017,605
Outsourced Services	52,467,006	63,270,666	51,479,986	62,255,457
Contractors	60,663,423	102,482,126	61,207,235	105,999,573
	<u>133,441,419</u>	<u>179,044,514</u>	<u>132,785,084</u>	<u>181,272,635</u>
37. Transfers and Subsidies				
Transfers				
Ntinga Development Agency	-	-	50,918,261	56,270,160
	<u>-</u>	<u>-</u>	<u>50,918,261</u>	<u>56,270,160</u>
Subsidies				
Community projects	140,804,125	72,342,381	133,899,781	59,415,285
Free Basic Services	67,452,448	25,581,628	67,452,448	25,581,628
Social Aid	30,096,005	24,304,242	30,096,005	24,304,242
	<u>238,352,578</u>	<u>122,228,251</u>	<u>231,448,234</u>	<u>109,301,155</u>
Eastern Cape Housing Programme				
EC Housing - Construction completed	28,428,735	12,065,420	28,428,735	12,065,420
	<u>28,428,735</u>	<u>12,065,420</u>	<u>28,428,735</u>	<u>12,065,420</u>
	<u>266,781,313</u>	<u>134,293,671</u>	<u>310,795,230</u>	<u>177,636,735</u>
The municipality received R82 721 499 comprising of R56 142 542 conditional grant and R26 578 957 unconditional grant in the current year. R26 578 957 was used to complete the 248 housing project and as at end of the year all 248 houses were completed. The R56 142 542 relates to new projects that were not yet implemented at year end and it is disclosed under unspent grant note 17 and grants revenue not 28.				
Community Projects				
Community Projects are in respect of local economic development projects within the municipality's area of jurisdiction.				
Free Basic Services				
Free Basic Services are programmes aimed at providing free basic service levels to indigent households.				
Local Municipalities				
Local Municipalities are municipalities within the jurisdiction of OR Tambo district municipality.				
Municipal Entities				
Municipal Entities are entities under control of the municipality to enable the entities to fulfil their mandates.				
Social Aid				
Social Aid constitutes social assistance programmes aimed at improving the social condition of people within the municipality's area of jurisdiction.				
38. Inventory Consumed				
Inventory Consumed - General Stores	19,786,313	36,313,260	19,786,313	36,313,260
Inventory Consumed - Ntinga	12,238,660	9,807,190	-	-
	<u>32,024,973</u>	<u>46,120,450</u>	<u>19,786,313</u>	<u>36,313,260</u>

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	2021	2020 Restated*	2021	2020 Restated*
39. Operational Costs				
Advertising, Publicity and Marketing	2,337,595	6,054,322	2,266,873	5,944,849
Assets less than capital threshold	40,000	46,900	40,000	46,900
Bank Charges, Facility and Card Fees	852,747	956,396	550,728	583,861
Bargaining council	6,441,720	6,023,690	6,441,720	6,023,690
Cleaning Materials	69,876	583,588	68,148	582,033
Commission Paid	165,776	-	-	-
Communication	8,919,654	12,113,855	7,409,599	10,667,185
Courier and delivery service	3,843	42,376	2,938	42,058
Electricity	59,928,653	52,204,235	59,928,653	49,725,980
Entertainment	242,572	70,370	242,572	70,370
Expenditure incurred on Conditional grants	4,463,167	7,848,391	4,463,167	7,848,391
External Audit Fees	12,443,850	10,119,424	10,527,343	7,575,429
External computer services	5,893,050	6,015,524	5,286,433	5,589,127
Hire charges	25,593,594	31,208,358	25,478,094	30,793,055
Insurance underwriting	2,354,259	1,786,002	2,354,259	1,786,002
Learnership and Internships	14,858,875	18,278,886	14,730,400	17,917,805
Licences	244,525	503,293	244,525	503,293
Municipal Services - Assessment rates	2,213,774	1,423,413	-	-
Other Operational Costs	1,584,626	242,763	525,305	-
Printing, publications and books	7,088,021	486,875	6,909,178	270,847
Professional bodies, membership and subscr	301,613	45,894	116,093	45,894
Registration Fees	2,192,779	3,792,560	2,192,779	3,792,560
Travelling and Subsistence	31,865,498	45,284,605	31,259,727	44,237,129
Uniform and protective clothing	82,074	4,301,906	31,800	4,267,261
Wet fuel	12,009,932	13,400,292	11,128,290	12,465,892
	202,192,073	222,833,918	192,198,624	210,779,611

The amounts disclosed above for Other operational costs are in respect of costs incurred in the general management of the municipality and not direct attributable to a specific service or class of expense

40. Reversal of Impairment

Receivables from exchange transactions impairment reversal	-	-	-	-
Receivables from non-exchange transactions impairment adjustment	-	678,654	-	678,654
	-	678,654	-	678,654

41. Long-Term Receivables

Old Councillors debtors	1,199,163	1,199,163	1,199,163	1,199,163
Port Saint Johns Local Municipality	2,200,000	2,200,000.00	2,200,000	2,200,000.00
Less Impairment	(3,399,163)	(3,399,163)	(3,399,163)	(3,399,163)
	-	-	-	-

42. Financial instruments disclosure

ECONOMIC ENTITY - Categories of financial instruments

Financial assets	Classification	2020	2019
			Restated*
Receivables from Exchange - Sewerage	Amortised cost	27,652,060	23,623,144
Receivables from Exchange - Water	Amortised cost	111,824,579	90,001,410
Receivables from Exchange - Other Receivables	Amortised cost	17,036,680	5,952,680
Prepayments	Amortised cost	66,749,253	127,105,158
Receivables from Non-Exchange - Short-term Loans	Amortised cost	54,614	-
Receivables from Non-Exchange - Sundry debtors	Amortised cost	2,928,986	2,030,098
Cash and cash equivalents - Call deposits	Amortised cost	293,711,703	211,465,310
Cash and cash equivalents - Bank Balances	Amortised cost	106,993,780	124,749,683
Cash and cash equivalents - Petty Cash	Amortised cost	6,896	19,065
Financial liabilities			
Payables from exchange transactions - Trade Creditors	Amortised cost	279,771,003	254,155,423
Payables from exchange transactions - Retentions	Amortised cost	75,227,712	67,638,792
Payables from exchange transactions - Other Creditors	Amortised cost	3,425,770	4,369,336
Unspent Conditional Grants and Receipts	Amortised cost	247,795,657	447,759,417

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CONTROLLING ENTITY - Categories of financial instruments

Financial assets

Receivables from Exchange - Sewerage	Amortised cost	27,652,060	23,623,144
Receivables from Exchange - Water	Amortised cost	111,824,579	90,001,410
Receivables from Exchange - Other Receivables	Amortised cost	21,141,615	11,376,118
Prepayments	Amortised cost	66,448,997	126,912,561
Receivables from Non-Exchange - Short-term Loans	Amortised cost	54,614	-
Receivables from Non-Exchange - Sundry debtors	Amortised cost	1,731,516	1,034,990
Cash and cash equivalents - Call deposits	Amortised cost	292,467,783	199,482,396
Cash and cash equivalents - Bank Balances	Amortised cost	104,935,271	123,473,130

Financial liabilities

Payables from exchange transactions - Trade Creditors	Amortised cost	285,659,891	253,776,142
Payables from exchange transactions - Retentions	Amortised cost	75,227,712	67,638,792
Payables from exchange transactions - Other Creditors	Amortised cost	177,744	177,162
Unspent Conditional Grants and Receipts	Amortised cost	247,795,657	447,759,417

43. Related Party Transactions

All Related Party Transactions are conducted at arm's length, unless stated otherwise.

Interest of Related Parties

No Related Party Interests have been identified/declared for the two financial years under review.

OR Tambo Ntinga Development Agency is wholly controlled by the municipality.

OR Tambo Ntinga Development Agency is utilising free offices provided by the municipality.

Loans granted to Related Parties

In terms of the MFMA, the municipality may not grant loans to its Councillors, Management, Staff and Public with effect from 1 July 2004.

Loans to Local Municipalities

Between 2008 and 2009 OR Tambo made payments amounting of R8 741 167.29 to Port St Johns municipality in a form of a loan. Due to continued cash flow problems at Port St Johns, its council offered a piece of land valued R8 800 000 to OR Tambo as a settlement of the loan. The official transfer of ownership of the land did not occur and in 2010 Port St Johns municipality indicated that the size of the land offered was reduced to 3.5 hectares. Based on this OR Tambo impaired the land value initially capitalised and reduced it to R2 200 000. In 2019/20 financial year this balance was reclassified as Long-term debtor and impaired in full.

Compensation of Related Parties

Compensation of Key Management Personnel and Councillors is set out in Notes 25 and 26 to the Annual Financial Statements. The names and positions of key management personnel are as follows:

Controlling entity

Moleko M.	Chief Financial Officer
Matomela B.	Director: Municipal Manager's Officer
Dunywa P.A.X.	Director: Rural Economic Development Programme
Mnyanda N.	Director: Human Settlement
Madzizela .	Director: Community and Social Services
Mbatane N.	Director: Office of the Executive Mayor
Velem A.	Director: Water and Sanitation Services
Tseane T.	Director: Legislature
Mphako F.	Director: Human Resources (Acting Municipal Manager)
Ndamase V.	Chief of Staff - Office of the Executive Mayor
Mandla S.	Director: Internal Audit
Ndwandwa M.	Director: Technical Services

Controlled entity

Pongwana P.K.	Chief Executive Officer
Mbiko L.	Chief Financial Officer
Mzayiya E	Senior Manager Water Services
Mviko V	Corporate Service Manager
Zilimbolola M.	Senior Manager Trading Enterprises
Mfana C.	Company Secretary

Purchases from Related Parties

The municipality did not buy goods from any companies which can be considered to be Related Parties.

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Other Related Party Transactions

Grants paid by the Municipality:

Grants paid to Ntinga OR Tambo Development Agency include funds for administration costs and operations at Adam Kok Farms. A breakdown of Ntinga OR Tambo Development Agency transactions is as follows:

Ntinga OR Tambo Development Agency - Operational Grants	46,262,980	56,270,160
Ntinga OR Tambo Development Agency - Consulting Fees on infrastructure projects	4,602,566	8,692,475
Ntinga OR Tambo Development Agency - Purchase of farming machinery and equipment	52,715	2,463,783
	50,918,261	67,426,418

The municipality did not make any cash transfers to the local municipalities in current year however in-kind transfers and subsidies disclosed under note 37 were made to local municipalities within the jurisdiction of OR Tambo District.

In-kind donations and assistance

The municipality provides Internal audit support and risk management function to Ntinga Development Agency at no cost. Office accommodation and related municipal services are provided by the municipality at no cost to the Entity.

Service Delivery services arrangements with Ntinga Development Agency

- The Entity is assigned a function of repairing and maintaining water schemes in rural and peri-urban areas. The entity is a paymaster for water scheme operators appointed by the municipality. The entity is reimbursed for these functions.

44. Commitments

Authorised capital expenditure

Already contracted for but not provided for

- Infrastructure	1,174,804,421	1,159,919,843	1,174,743,126	1,159,858,548
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Not yet contracted for and authorised by accounting officer

- Infrastructure	-	-	-	-
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Total commitments

Authorised capital expenditure	1,174,804,421	1,159,919,843	1,174,743,126	1,159,858,548
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This committed expenditure relates to Infrastructure and will be financed from Government grants.

45. Contingencies

Controlling Entity

(i) Claims for Services Rendered:

Claims in lieu of services rendered have been lodged against the municipality. The claim was lodged by DWA for R109 366 542, Mvezo Plant and Civils R970 000, Lingabantu Construction R16 129 025, and Tuscan Mood for R300 000.

	126,765,567	17,297,551
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(ii) Labour Cases:

Labour claims have been instituted against the municipality and are being contested. The outcome of is still uncertain.

	31,479,248	6,500,000
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(iii) Claim for Damages Suffered:

Claim for damage suffered due to loss of life

	12,050,000	8,000,000
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Claim for damage to property

	800,000	800,000
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	12,850,000	8,800,000
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	171,094,815	32,597,551
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Contingent assets

(i) Claim for Fraudulent payments:

Fraudulent payment made by employee

	171,094,815	40,304,220
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Controlled Entity

Man Truck & Bus (Pty) Ltd; The Entity is a second defendant on a matter involving a collision between a truck and a cow at Adam Kok Farms.

	218,254	218,254
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	2021	2020 Restated*	2021	2020 Restated*

45. Contingencies (Continued)

CE Du Plessis and 2 other vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Plaintiffs alleges that their respective properties were damaged by fires which came from Adam Kok Farms owned by ORTDM and managed by Ntinga. The matter is being defended by the municipality. 1,781,524 1,781,524

Zandisile Kanise vs OR Tambo District Municipality. Defendant is OR Tambo District Municipality and Ntinga is the second respondent. Mr. Z.L. Kanise is employed by Ntinga. As per request of ORTDM he was seconded at ORTDM, Executive Mayor Office without any documentation. It is alleged that he acted as a Policy Analyst on secondment from Ntinga. 2,000,000 2,000,000

Benzile Munala vs Kei Fresh Produce Market. The matter is between Kei Fresh Produce Market and its former employee. It happened before the market was transferred to Ntinga by the municipality. The matter relates to an alleged unfair labour practice. 500,000 500,000

Sheriff of the Court - Kokstad vs Ntinga. The Sheriff is claiming re-imburement of costs incurred after eviction of livestock at Adam Kok Farms. Ntinga is challenging the matter. 230,000 230,000

Sontongane Vuyani vs Ntinga. In December 2019 the entity received summons dated 14 October 2019 alleging that the claimant's vehicle hit a cow belonging to the entity. The matter is being defended. 160,200 160,200

Ms. Gwavu vs Kei Fresh Produce Market / Ntinga. Ms. Gwavu was dismissed in 2011 by Kei Fresh Produce Market for gross negligence and the lost of funds before the market was incorporated into Ntinga. An out of court settlement was reached between the parties and it was settled by the District Municipality after year end. - 213,086

The matter was referred to our Lawyers who found that the Entity erred in recovering the amount from the employee's retirement fund and recommended that we should settle out of court to avoid unnecessary legal costs. The capital amount was later settled by the Parent Municipality. The Applicant again approached the courts in September 2020 to have the interest on the amount repaid. The Entity was then advised by its lawyers and their actuary to settle the interest. The Mthatha Regional Court held on 7 July 2021 that the entity must settle the interest of R165, 567.09 within 30 days from the date of the order. The entity will approach the Parent Municipality to settle the amount. 165,567 -

5,055,545	5,103,064
176,150,360	37,700,614

46. Prior-year adjustments

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

Statement of Financial Position	As previously reported	Correction of error	Restated	Reference	As previously reported	Correction of error	Restated
Inventories	10,802,349	-	10,802,349		7,566,477	-	7,566,477
Receivables from Exchange Transactions	120,329,398	369,585	120,698,983	P_01	125,000,672	369,585	125,370,257
Receivables from Non-exchange Transactio	2,030,117	-	2,030,117		1,034,990	-	1,034,990
Prepayments	132,865,527	(5,760,388)	127,105,139	P_02	132,672,949	(5,760,388)	126,912,561
VAT Receivable	60,786,232	(7,124,608)	53,661,624	P_03	60,786,232	(7,124,608)	53,661,624
Cash and Cash Equivalents	336,234,058	-	336,234,058		322,955,526	-	322,955,526
Property, Plant and Equipment	6,870,780,126	2,709,660	6,873,489,787	P_04	6,811,359,855	2,709,660	6,814,069,515
Intangible assets	2,656,546	-	2,656,546		1,985,318	-	1,985,318
Heritage Assets	247,025	-	247,025		247,025	-	247,025
Biological Assets	15,089,530	-	15,089,530		-	-	-
Deferred tax	7,219,551	-	7,219,551		-	-	-
Consumer Deposits	(3,449,431)	-	(3,449,431)		(3,449,431)	-	(3,449,431)
Employee Benefit Liabilities - Current portion	(5,030,000)	-	(5,030,000)		(5,030,000)	-	(5,030,000)
Payables from Exchange Transactions	(440,143,646)	1,607,688	(438,535,958)	P_05	(429,722,591)	1,607,688	(428,114,903)
Payables from Non-exchange Transactions	(13,007,082)	-	(13,007,082)		(12,560,102)	-	(12,560,102)
Unspent Conditional Grants and Receipts	(453,519,805)	5,760,388	(447,759,417)	P_06	(453,195,045)	5,760,388	(447,434,657)
VAT Payable	(4,751,979)	-	(4,751,979)		(118,938,861)	-	(118,938,861)
Current Portion of Long-term Liabilities	(87,536)	-	(87,536)		-	-	-
Long - term liabilities	(122,420)	-	(122,420)		-	-	-
Employee Benefit Liabilities	(118,938,861)	-	(118,938,861)		-	-	-
Accumulated Surplus	(6,231,086,306)	1,706,599	(6,229,379,707)	P_07	(6,145,694,861)	1,706,599	(6,143,988,262)
	288,903,393	(731,076)	288,172,317		295,018,153	(731,076)	294,287,077

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	2021		2020 Restated*	2021		2020 Restated*
46. Prior-year adjustments (Continued)						
Statement of Financial Performance	As previously reported	Correction of error	Restated	As previously reported	Correction of error	Restated
Service Charges	(274,834,301)	-	(274,834,301)	(274,834,301)	-	(274,834,301)
Rental of Facilities and Equipment	(36,582)	(662,235)	(698,817)	(36,582)	-	(36,582)
Interest Earned - External Investments	(27,207,752)	-	(27,207,752)	(26,822,232)	-	(26,822,232)
Interest Earned - Outstanding Debtors	(27,544,912)	-	(27,544,912)	(27,544,912)	-	(27,544,912)
Operational revenue	(15,302,660)	1,571,310	(13,731,350)	(371,136)	-	(371,136)
Income from Agency Services	(186,995)	(909,075)	(1,096,070)	(186,995)	-	(186,995)
Government Grants and Subsidies Received	(1,695,877,777)	(6,276,296)	(1,702,154,073)	(1,695,787,845)	(6,276,296)	(1,702,064,141)
Employee related costs	735,797,269	-	735,797,269	690,766,204	-	690,766,204
Remuneration of councillors	22,244,133	-	22,244,133	21,312,027	-	21,312,027
Depreciation and amortisation	231,958,187	-	231,958,187	226,492,149	-	226,492,149
Impairment Loss	97,249,609	31,574,895	128,824,504	97,149,316	31,574,895	128,724,211
Bad debts written off	10,766,969	-	10,766,969	10,766,969	-	10,766,969
Finance costs	12,681,121	-	12,681,121	12,611,101	-	12,611,101
Bulk Purchases	56,281,378	(1,425,566)	54,855,812	56,281,378	(1,425,566)	54,855,812
Contracted Services	179,044,514	-	179,044,514	181,272,635	-	181,272,635
Transfers and Subsidies	134,293,671	-	134,293,671	177,636,735	-	177,636,735
Inventory Consumed	46,120,450	-	46,120,450	36,313,260	-	36,313,260
Operational Costs	223,948,168	(1,114,250)	222,833,918	211,893,861	(1,114,250)	210,779,611
Reversal of Impairment	(678,654)	-	(678,654)	(678,654)	-	(678,654)
(Gain) / Loss on Disposal of Property, Plant and Equipment	22,000,138	(22,027,707)	(27,569)	22,004,868	(22,027,707)	(22,839)
Adjustments to Biological Assets	(6,363,367)	-	(6,363,367)	-	-	-
Actuarial gains/losses	(13,256,000)	-	(13,256,000)	(13,256,000)	-	(13,256,000)
Income tax	-	-	-	-	-	-
	(288,903,393)	731,076	(288,172,317)	(295,018,153)	731,076	(294,287,078)
Cash Flow Statement	As previously reported	Correction of error	Restated	As previously reported	Correction of error	Restated
Service Charges	152,929,661	-	152,929,661	152,929,661	-	152,929,661
Interest income	33,555,743	-	33,555,743	33,170,223	-	33,170,223
Other receipts	37,368,116	(2,979,862)	34,388,254	13,445,989	(2,979,862)	10,466,127
Transfers and subsidies	1,890,077,847	6,276,297	1,896,354,144	1,887,205,324	6,276,297	1,893,481,621
Employee related costs	(727,228,643)	-	(727,228,643)	(682,398,395)	-	(682,398,395)
Remuneration of Councillors	(21,312,027)	-	(21,312,027)	(21,312,027)	-	(21,312,027)
Finance Costs	(575,121)	-	(575,121)	(505,101)	-	(505,101)
Suppliers Paid	(204,715,699)	1,388,764	(203,326,935)	(179,165,943)	1,388,764	(177,777,179)
Other payments	(374,208,234)	1,114,248	(373,093,986)	(420,632,887)	1,114,248	(419,518,639)
Net cash flows from operating activities	785,891,644	5,799,447	791,691,091	782,736,844	5,799,447	788,536,291
Purchase of property, plant and equipment	(730,406,432)	(6,016,004)	(736,422,436)	(729,732,937)	(6,016,004)	(735,748,941)
Proceeds on Disposal of Fixed Assets	17,112	216,557	233,668	-	216,557	216,557
Purchase of other intangible assets	(310,958)	-	(310,958)	(178,000)	-	(178,000)
Purchase of Biological assets	(947,785)	-	(947,785)	-	-	-
Proceeds on Disposal of Biological assets	5,456,129	-	5,456,129	-	-	-
Net cash flows from investing activities	(726,191,934)	(5,799,447)	(731,991,381)	(729,910,937)	(5,799,447)	(735,710,384)
(Repayments) / Acquisitions of Long term investments	(147,769)	-	(147,769)	-	-	-
(Decrease) / Increase in Long-term receivables	270,189	-	270,189	-	-	-
Net cash flows from financing activities	122,420	-	122,420	-	-	-
Net increase/(decrease) in cash and cash equivalents	59,822,130	(0)	59,822,129	52,825,907	(0)	52,825,907
Cash and cash equivalents at the beginning of the year	276,411,928	-	276,411,928	270,129,619	-	270,129,619
Cash and cash equivalents at the end of the year	336,234,058	(0)	336,234,057	322,955,526	(0)	322,955,526

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46. Prior-year adjustments (Continued)

Explanations

P_01 - Receivables from Exchange Transactions

Receivables from Exchange transactions were adjusted by R369 585 being insurance declared by the insurer in 2019/20 and received in the current year.

P_02 - Pre-payments

Pre-payments were adjusted by R5 760 388 subsequent to the reconciliation of Amatola water schedule and OR Tambo DM documentation.

P_03 - VAT Receivables

VAT Receivable was adjusted by (R7 124 608) being (R9 763 743) for reversal of VAT on Impairment, R193 000 VAT Prepayments adjustment, (R153 029) VAT on Insurance claim, R2 503 014 VAT on Ntinga Invoices not accounted for, R67 292 VAT on unrecorded accrued capex and R28 856 VAT on prior year creditors not recorded.

P_04 - Property Plant and Equipment

Property plant and equipment was restated by R2 79 660 being R5 567 387 unrecorded WIP paid from prepayments, R448 616 for accrued Capex not recorded, R1 155 107 movables assets not recorded in the previous years, (R2 068 366) for Temporal Structure that handed over to the community in the prior year but not remained in the asset register and (R2 393 084) being removal of KSD access roads included in the infrastructure register. The Infrastructure WIP was reduced by R75 469 315 being completed assets not transferred to completed infrastructure while the completed infrastructure was increased by the same amount.

P_05 - Payables from Exchange transactions:

Payables from Exchange Transactions were adjusted by R1 607 688 being R1 425 566, amount incorrectly billed by DWA, (R260 963) for unrecorded liabilities, R1 831 850 for cancelled creditors recorded in the prior year balance, (R2 503 014) unrecorded VAT payable to Ntinga and R1 114 250 for travel and accommodation cancelled invoices in the prior year.

P_06 - Unspent Conditional Grants and Receipts

The unspent conditional were adjusted by R5 760 388 being RBIG and MIG capital project funds paid from advance to Amatola Water in the prior years.

P_07 - Accumulated Surplus

Accumulated assets are adjusted by R1 706 599 being (R1 155 107) for movable assets not capitalised in the prior years and R232 106 for expenditure omitted in the prior year, R2 393 084 for KSD roads erroneously included in the Infrastructure register and (R1 831 850) for cancelled invoice included in expenditure for prior years.

P_08 - Rental of Facilities and Equipment

Adjusted by R662 235 being re-classification of Ntinga Rental of Facilities revenue allocated to Operational revenue in Ntinga's AFS.

P_09 - Operational revenue

Adjusted by R1 571 310 being R662 235 for re-classification of Ntinga's Rental of facilities and R909 075 re-classification of Ntinga's Commission fees.

P_10 - Income from Agency Services

Adjusted by R909 075 being re-classification of Ntinga's Commission Fees allocated to Operational revenue in Ntinga's AFS.

P_11 - Government Grants and Subsidies Received

Government Grants and Subsidies Received have been adjusted by R6 276 296 being R5 760 388 revenue recognised on capex paid from advances and 515 908 capex not capitalised.

P_12 - Impairment Loss

Impairment Loss has been adjusted by being reversal of VAT R9 763 742 on Impairment loss on accounts payables. R22 004 869 decommission assets disclosed as a disposal in the prior year and profit on disposal of asset.

P_13 - Bulk Purchases

Bulk Purchases were adjusted by R1 425 566 being invoices incorrectly billed by DWA in the prior year.

P_14 - Operational Costs

Operational Costs were adjusted by R1 114 250 being travel and accommodation invoices cancelled in the prior year.

P_15 - (Gain) / Loss on Disposal of Property, Plant and Equipment

(Gain) / Loss on Disposal of Property, Plant and Equipment were adjusted by (R22 027 707) being R22 004 869 decommission assets disclosed as a disposal in the prior year and profit on disposal of asset.

Cash Flow Statement

Cash Flow Statement was affected by the changes mentioned above.

Capital Commitments

Capital commitments have been restated from R1 146 466 173 to R1 159 858 548.

47. Comparative figures

The comparative figures were restated as a result of the effect of Prior Period Errors (Note 46).

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48. Risk management

Market Risk

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the municipality's income or the value of its holdings in Financial Instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Liquidity risk

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

Liquidity Risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met. Maturity analysis for Financial Liabilities (where applicable) that shows the remaining undiscounted contractual maturities.

The table below analyses the municipality's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

Financial liabilities - Amortised at cost	2020	Less than 1 year	Between 2 and 5 years	Over 5 years
Payables from exchange transactions - Trade Creditors	279,771,003	279,771,003	-	-
Payables from exchange transactions - Retentions	75,227,712	75,227,712	-	-
Payables from exchange transactions - Other Creditors	3,425,770	3,425,770	-	-
Unspent Conditional Grants and Receipts	247,795,657	247,795,657	-	-

Financial liabilities - Amortised at cost	2019	Less than 1 year	Between 2 and 5 years	Over 5 years
Payables from exchange transactions - Trade Creditors	254,155,423	254,155,423	-	-
Payables from exchange transactions - Retentions	67,638,792	67,638,792	-	-
Payables from exchange transactions - Other Creditors	4,369,336	4,369,336	-	-
Unspent Conditional Grants and Receipts	447,759,417	447,759,417	-	-

Credit risk

Credit Risk is the risk of financial loss to the municipality if a customer or counterparty to a Financial Instrument fails to meet its contractual obligations and arises principally from the municipality's receivables from customers and investment securities. Financial assets exposed to credit risk at year end were as follows:

Financial assets - Amortised at cost	2020	2019
Receivables from Exchange - Sewerage	27,652,060	23,623,144
Receivables from Exchange - Water	111,824,579	90,001,410
Receivables from Exchange - Other Receivables	17,036,680	5,952,680
Prepayments	66,749,253	127,105,158
Receivables from Non-Exchange - Short-term Loans	54,614	-
Receivables from Non-Exchange - Sundry debtors	2,928,986	2,030,098
Cash and cash equivalents - Call deposits	293,711,703	211,465,310
Cash and cash equivalents - Bank Balances	106,993,780	124,749,683
Cash and cash equivalents - Petty Cash	6,896	19,065

Interest rate risk

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes. Potential concentrations of interest rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances. The municipality limits its counterparty exposures from its money market investment operations by only dealing with registered banks (Absa Bank, First National Bank, Nedbank, Investec and Standard Bank). No investments with a tenure exceeding twelve months are made.

Consumer Debtors comprise of a large number of service debtors, dispersed across different industries and geographical areas. Consumer debtors are presented net of a provision for impairment. In the case of debtors whose accounts become in arrears, it is endeavored to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy. Consumer Deposits are increased accordingly. The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates. The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the Statement of Financial Position date. The analysis is prepared by averaging the amount of the investment at the beginning of the financial year and the amount of the investment at the end of the financial year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

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Cash and Cash Equivalents:

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the municipality's:

Credit Risk Management

Credit Risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the municipality. The municipality has a sound credit control and debt collection policy and obtains sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The municipality uses its own trading records to assess its major customers. The municipality's exposure of its counterparties are monitored regularly. Potential concentrations of credit rate risk consist mainly of variable rate deposit investments, long-term receivables, consumer debtors, other debtors, bank and cash balances.

Investments/Bank, Cash and Cash Equivalents

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

Trade and Other Receivables

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

The municipality limits this risk exposure in the following ways, in addition to its normal credit control and debt management procedures:

- The application of section 118(3) of the Municipal Systems Act (MSA), which permits the municipality to refuse connection of services whilst any amount remains outstanding from a previous debtor on the same property;
- A new owner is advised, prior to the issue of a revenue clearance certificate, that any debt remaining from the previous owner will be transferred to the new owner, if the previous owner does not settle the outstanding amount;
- The requirement of a deposit for new service connections, serving as guarantee and are reviewed annually;
- Encouraging residents to install water management devices that control water flow to households, and/or prepaid electricity meters.

There were no material changes in the exposure to credit risk and its objectives, policies and processes for managing and measuring the risk during the year under review. The municipality's maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position, without taking into account the value of any collateral obtained. The municipality has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographical area.

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

Payment of accounts of consumer debtors, who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer in terms of the Credit Control and Debt Collection Policy

Long-term Receivables and Other Debtors are individually evaluated annually at reporting date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The municipality defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The table below shows the balance of the 5 major counterparties at the balance sheet date. Management is of the opinion that, although these parties are the 5 counterparties with highest outstanding balances, no significant credit risk exposure exists based on the payment history of the parties They have been included in the Provision for Impairment of Consumer Debtors.

49. Going concern

(i) On 31 May 2019 the Council adopted the 2019/20 to 2021/22 Budget. This three-year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the Budget was cash-backed over the three-year period.

ii) The municipality's Budget is subjected to a very rigorous independent assessment process to assess its cash-backing status before it is ultimately approved by Council.

(iii) Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cash-flow forecast supporting the Budget. The cash management processes is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.

(iv) As the municipality has the power to levy fees, tariffs and charges, this will result in an on-going inflow of revenue to support the on-going delivery of municipal services. Certain key financial ratios, such as liquidity, cost coverage, debtors' collection rates and creditors' payment terms are closely monitored and the necessary corrective actions instituted. Taking the aforementioned into account, management has prepared the Annual Financial Statements on the Going Concern Basis.

50. Events after the reporting date

The following events took place after the year end:

- The municipality was put under administration in terms of section 139 (1) C of the constitution on the 20 August 2021.
- The invocation of section 139 (1) C was set aside by the court on the 26 of August 2021
- The National Treasury withheld Equitable Share and all other grants

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
51. Private Public Partnerships				
The municipality was not a party to any Private Public Partnerships during the year under review.				
52. Unauthorised expenditure				
Opening balance	19,777,960	14,637,683	19,777,960	14,637,683
Add: Unauthorised expenditure current year - per vote	159,955	4,321,935	159,955	4,321,935
Add: Unauthorised expenditure current year - Conditional grants	-	818,342	-	818,342
Less: Approved by the council or condoned	-	-	-	-
	19,937,915	19,777,960	19,937,915	19,777,960

53. Fruitless and wasteful expenditure

Opening balance	28,488,126	19,528,515	28,452,335	19,463,186
Add: Fruitless expenditure current year - Interest Paid	544,179	528,723	544,179	505,101
Add: Fruitless expenditure current year - Other	7,706,669	8,484,049	7,706,669	8,484,049
Less: Approved by the council or condoned	-	-	-	-
Less: Amounts recovered (not condoned)	(34,239)	(53,160)	-	-
Less: Amounts not recoverable (not condoned)	-	-	-	-
	36,704,736	28,488,126	36,703,184	28,452,335

The fruitless and wasteful expenditure relates to: Interest paid to the Eskom, KSD Municipality and Telkom overdue accounts as well as SARS. The R7 706 669 relates to unrecovered amount of fraudulent payments made by a former employee who was sentenced in 2021. In the prior year this was disclosed as contingent asset.

Controlling Entity

<u>Incidents</u>	<u>Disciplinary steps taken/criminal proceedings</u>
Fruitless and wasteful expenditure relates to interest paid to the Eskom on overdue account.	No actions taken - to be submitted to Council for condonement.

Controlled Entity

<u>Incidents</u>	<u>Disciplinary steps taken/criminal proceedings</u>
Fruitless and wasteful expenditure relates to eleven cows that were transferred to Umzikantu Red Meat Abattoir from Adam Kok Farms for slaughtering and selling. It was discovered that they were vaccinated and were not suitable for sale and human consumption.	Affected employees were found to have been negligent and sanction was passed that the loss must be recovered from them. Recovery of money will be implemented in the 2019/2020 financial year.
Fruitless and wasteful expenditure relates Legal fees incurred on collection of Red Meat Levy due.	Letters will be written to the affected employees as to why these legal fees of R 1,553.00 can not be recovered from them.
Suspected fraudulent fuel card transactions	Unknown transactions amounting R23,622 were noted on a vehicle fuel card. Upon investigation it transpired that the fuel card may have been duplicated or hacked. The full amount was recovered from the bank in August 2020.

54. Irregular expenditure

Opening balance	1,980,377,396	1,351,723,221	1,979,040,409	1,350,754,625
Correction of prior period error	-	(67,903,809)	-	(67,903,809)
Restated Opening balance	1,980,377,396	1,283,819,412	1,979,040,409	1,282,850,816
Add: Irregular Expenditure - current year	250,075,713	696,557,984	249,859,996	696,189,593
Irregular Expenditure relating to contracts awarded in the current period	75,200,418	78,225,205	74,984,701	77,856,814
Irregular Expenditure relating to contracts awarded in prior periods	174,875,295	618,332,779	174,875,295	618,332,779
Less: Amounts written off	-	-	-	-
Amounts written off - current period	-	-	-	-
Amounts written off - prior periods	-	-	-	-
Less: Amounts recoverable	-	-	-	-
Amounts recoverable - current period	-	-	-	-
Amounts recoverable - prior periods	-	-	-	-
	2,230,453,109	1,980,377,396	2,228,900,405	1,979,040,409

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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*
Details of irregular expenditure – current year			2021	2020
Controlling Entity - Expenditure contrary to SCM Procedures on inviting of Quotations - R60 061 008 (2020: R7 489 767)		No actions taken - to be submitted to Council for condonement.	60,061,008	7,489,767
Controlling Entity - Expenditure contrary to SCM Procedures on awarding of Contracts- R189 798 988 (2020: R688 699 826)		No actions taken - to be submitted to Council for condonement.	189,798,988	688,699,826
			249,859,996	696,189,593

55. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government - SALGA

Opening balance	-	-	-	-
Current year subscription / fee	6,441,720	12,151,230	6,441,720	12,151,230
Amount paid - current year	<u>(6,441,720)</u>	<u>(12,151,230)</u>	<u>(6,441,720)</u>	<u>(12,151,230)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Audit fees

Opening balance	-	-	-	-
Current year subscription / fee	13,989,267	10,119,424	12,072,760	7,575,429
Amount paid - current year	<u>(13,989,267)</u>	<u>(10,119,424)</u>	<u>(12,072,760)</u>	<u>(7,575,429)</u>
Amount paid - previous years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The balance unpaid represents the audit fee for an audit conducted during May and June 2021 and is payable by 31 July 2021.

PAYE and UIF

Opening balance	661,945	621,921	-	-
Current year subscription / fee	168,847,900	145,732,693	158,866,688	136,759,538
Amount paid - current year	<u>(168,861,899)</u>	<u>(145,692,669)</u>	<u>(158,690,871)</u>	<u>(136,759,538)</u>
Amount paid - previous years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>647,946</u>	<u>661,945</u>	<u>175,817</u>	<u>-</u>

The balance represents PAYE, SDL and UIF deducted from the June 2020 payroll. These amounts were paid during July 2020.

Pension and Medical Aid Deductions

Opening balance	72,549	(1,760)	-	-
Current year subscription / fee	142,188,552	137,218,632	137,175,543	132,003,663
Amount paid - current year	<u>(142,150,341)</u>	<u>(137,144,323)</u>	<u>(137,175,543)</u>	<u>(132,003,663)</u>
	<u>110,760</u>	<u>72,549</u>	<u>-</u>	<u>-</u>
VAT				
VAT receivable	34,611,833	34,611,833	34,611,833	34,611,833
VAT Payable	<u>(8,589,316)</u>	<u>(4,751,979)</u>	<u>-</u>	<u>-</u>
	<u>26,022,517</u>	<u>29,859,854</u>	<u>34,611,833</u>	<u>34,611,833</u>

The net of VAT input payables and VAT output receivables are shown in Note 6. All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2021:

30 June 2021	Outstanding more than 90 days	Total	Outstanding more than 90 days	Total
Giyose R.M.	31,178	31,178	31,178	31,178
Tshotsho L.B.	41,501	41,501	41,501	41,501
	<u>72,679</u>	<u>72,679</u>	<u>72,679</u>	<u>72,679</u>

30 June 2020	Outstanding more than 90 days	Total	Outstanding more than 90 days	Total
Mandita K.D.	2,616	2,616	2,616	2,616
Mdledle N.	10,266	10,266	10,266	10,266
Sokanyile T.	6,862	6,862	6,862	6,862
	<u>19,743</u>	<u>19,743</u>	<u>19,743</u>	<u>19,743</u>

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	2021	2020 Restated*	2021	2020 Restated*

56. Deviation from supply chain management regulations

Paragraph 12(1) 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 written/verbal quotations, formal written quotations and a competitive bidding process, depending on the specified threshold values.

Paragraph 36 of the above mentioned gazette also provides that the accounting officer may dispense with the official procurement process in certain circumstances provided that he/she records the reasons for any deviations, reports them to the next meeting of the Council and include as a note to the financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12 (1) as stated above. The reasons for the deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviations from the normal supply chain management regulation. These deviations have also been reported to Council. The reasons for the deviations were mainly due to emergency cases, sole/single suppliers and impracticality in following the official procurement processes.

Incident

Emergency in terms of SCM Policy	-	85,000	-	85,000
Impractical to obtain quotations	9,748,289	9,655,788	-	1,374,012
Sole provider of goods and services in area	-	1,162,820	-	1,162,820
	<u>69,048,744</u>	<u>10,903,608</u>	<u>59,300,455</u>	<u>2,621,832</u>

57. Principal and Agents Related Transactions

Principal - Eastern Cape Department of Housing

The municipality has a standing contractual arrangement with the Eastern Cape Department of Housing wherein the municipality is appointed as a developer for the construction of community houses. In terms of the signed agreement all risks associated with the construction of houses are transfer to the municipality from project commencement until completion. According to the agreement the municipality is not entitled to any commission or agency fees for the implementation of the housing Programme.

In line with paragraph 3.27 of the Accounting for Housing Grant Programme guideline, where the municipality is appointed as project developer, the definition of a principal-agent arrangement is not met, and therefore, is not within the scope of GRAP 109 - Accounting for Principals and Agents. Paragraph 5.4 states that where the municipality is appointed as the developer GRAP 11 (Construction contracts) and GRAP23 (Revenue from non-exchange transactions) apply.

The revenue recognised as a result of grant expenditure has been disclosed under note 25, Grants and Subsidies and expenditure is disclosed under note 34, Transfers and subsidies made.

Agent - Amatola Water Board

The municipality has an agreement with the Amatola Water Board for the implementation water infrastructure projects. Amatola charges the municipality 5% of project cost as agency fees. The work in progress and the revenue recognised from the projects implemented by Amatola is recorded and disclosed by the municipality.

The following balances relate prepayments as at end of year.

Pre-payments	66,448,997	126,912,561	66,448,997	126,912,561
	<u>66,448,997</u>	<u>126,912,561</u>	<u>66,448,997</u>	<u>126,912,561</u>

58. Bulk water losses in terms of section 125 of the MFMA

	Lost Units	Tariff	Value	Lost Units	Tariff	Value
30 June 2020 - Unaccounted Water Losses	7,477,244	1.67	12,486,997	7,477,244	1.67	12,486,997
30 June 2019 - Unaccounted Water Losses	7,909,317	3.00	23,740,392	7,909,317	3.00	23,740,392

Water Losses occur due to inter alia , leakages, the tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections. The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported.

Volumes in KL / year

Water Inventory - opening balance	100,096	90,929	100,096	90,929
System Input volume	25,192,372	18,750,628	25,192,372	18,750,628
Billed Consumption	(10,122,049)	(10,805,864)	(10,122,049)	(10,805,864)
Free Basic Water provided	(7,606,948)	(26,280)	(7,606,948)	(26,280)
Water Inventory - closing balance	(86,227)	(100,096)	(86,227)	(100,096)
Distribution loss	<u>(7,477,244)</u>	<u>(7,909,317)</u>	<u>(7,477,244)</u>	<u>(7,909,317)</u>
	<u>0</u>	<u>-</u>	<u>0</u>	<u>-</u>

Percentage Distribution Loss	30%	42%	30%	42%
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Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*

59. Statutory Receivables

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means; and require settlement by another entity in cash or another financial asset. The municipality does not accrued or receive revenue from taxes, fines or penalties and there were not outstanding DORA allocated conditional grants at year end.

60. Segment Reporting

Controlling Entity

Factors used to identify reportable segment

In Identifying the reportable segments the municipality assessed all its activities in all departments to determine whether they meet the definition of a segment or not. At the end of this process the municipality came to a conclusion that only three activities that meet the definition of a segment, and these are water services, Sanitation services as well as Fire and Rescue services.

Aggregation of Segments

Water and Sanitation segments have been aggregated because certain expenditure items for these items are not separated and based on that fact that these services are similar in nature, management took a decision to group these activities under one segment.

Services rendered by segments

Water and Sanitation

Water and Sanitation segment provides water and sanitation services to King Sabata Dalindyebo, Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. Consumers are billed on a monthly basis for the availability of the service and consumption.

Fire and Rescue

Fire and Rescue segment provides fire and emergency services to King Sabata Dalindyebo, Mhlontlo, Nyandeni, Port Saint Johns and Ingquza Hill municipalities. This services is provided for free.

Financial Information

The financial information of the reportable segments is presented under annexure "A"

Controlled Entity

The Entity is organised into four strategic goals and under these goals there are four main segments with main activities and geographical location described as follows:

- Umzikantu Red Meat Abattoir. It is based in Mthatha and its main activity is the provision of slaughter services as well as meat sales.
- Adam Kok Farms. Farms are based in Kokstad and are operated for livestock and crop production.
- Kei Fresh Produce Market. The market is based in Mthatha. It is platform wherein farmers bring their produce for sale. The Entity generates as revenue commission on sales. Space and equipment are also rented out at a fee.
- The Entity's mandate includes the repairs and maintenance of water schemes. The function is funded by the parent municipality and the Entity is paid for work done. The Entity is also acting as a paymaster for operators appointed by the parent municipality and generates revenue in the form of implementation fees.

Segments are aggregated for reporting purposes.

Information reported about these segments is used for evaluating the segments' performance and for making decisions about the allocation of resources.

61. Separate Financial Statements

The OR Tambo DM does not meet all the requirement for preparing separate Financial Statement in line with paragraph 5 of GRAP 35 read in conjunction with paragraph 18 of GARP 34 therefore cannot elect to prepare separate financial statements. OR Tambo DM is not a subsidiary of another entity, therefore may not elect not to consolidate the Ntinga and OR Tambo DM AFS as there is no other parent entity that will prepare consolidation other than OR Tambo DM itself.

62. Consolidated Financial Statements

In line with requirements of GRAP 35 the OR Tambo DM will prepare consolidated annual financial statements as it has a wholly subsidiary (Ntinga) and it is itself (OR Tambo DM) not a subsidiary of another entity.

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Notes to the Consolidated Annual Financial Statements

Figures in Rand	Economic Entity		Controlling Entity	
	2021	2020 Restated*	2021	2020 Restated*

63. Disclosure of Interests in Other Entities

The OR Tambo DM did not have any in other entities except for Ntinga development Agency which is accounted for in terms of GRAP 35 (Consolidated Financial Statements) at end of June 2021

The significant judgements and assumptions - Methodology used to determine that OR Tambo DM has control of another entity

OR Tambo DM used the "Rights to relevant activities" method to determine the control of Ntinga development Agency and this is evidenced by the fact that OR Tambo DM has:

- Rights to give policy direction to board of directors to direct the relevant activities of Ntinga Development Agency
- Rights to appoint, reassign or remove Board members of Ntinga Development Agency
- Rights to approve or veto operating and capital budgets relating to the relevant activities of Ntinga Development Agency
- Rights to direct Ntinga Development Agency to enter into, or veto any changes to, transactions for its benefits.
- Rights to veto key changes to Ntinga Development Agency, such as the sale of a major asset

Interests in controlled entities

- Ntinga Development Agency is wholly owned by the OR Tambo DM and does not have a controlled entity therefore on consolidation the economic entity only comprise of OR Tambo DM and Ntinga Development Agency.
- Ntinga Development Agency can only access or use assets, and settle its own liabilities and not those of the economic entity while the OR Tambo DM can access the assets of the economic entity to settle liabilities.
- OR Tambo DM as the only holder of Ntinga development Agency is the ultimately responsible for the risks associated with its interests in Ntinga development Agency.
- There were no changes in the ownership interest in Ntinga development Agency that do not result in a loss of control during the current financial year

64. Living and Non-living resources

Non-living resources

Water

OR Tambo DM purchases water from the Department of Water Affairs, stored in reservoirs and sold or distributed to the community. This water is accounted for in line with GRAP 12 because it has been extracted from its natural source.

Minerals, oils and gas and other non-regenerative resources

OR Tambo DM's land has not been explored to determine whether it contains deposits of minerals, oil and gas, or other non-regenerative resources. The land owned by the municipality is therefore disclosed under Property, Plant and Equipment in line with GRAP 17. There is no available evidence that the OR Tambo DM land contain minerals, oils and gas and other non-regenerative resources therefore municipality does not have non-living resources.

Living resources

All OR Tambo DM's living resources are in the custodianship of its municipal entity (Ntinga Development Agency) and will be accounted for in the Consolidated Annual Financial Statement in line with GRAP 27.

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Consolidated Annual Financial Statements for the year ended 30 June 2021

Notes to the Consolidated Annual Financial Statements

65. Economic Entity Cash flow Workings	2021				2020	
	Controlling Entity	Controlled Entity	Total	Inter-Co. Transactions	Economic Entity	Economic Entity
						*Restated
Receipts						
Service Charges	235,865,611	-	235,865,611	-	235,865,611	152,929,661
Interest income	27,099,202	194,956	27,294,158	-	27,294,158	33,555,743
Operational receipts	23,584,458	14,665,142	38,249,600	(5,343,027)	32,906,573	34,388,254
Transfers and subsidies	1,621,146,162	44,758,825	1,665,904,987	(56,237,398)	1,609,667,588	1,896,354,144
Public Contributions and Donations	-	-	-	-	-	-
	<u>1,907,695,433</u>	<u>59,618,923</u>	<u>1,967,314,356</u>	<u>(61,580,425)</u>	<u>1,905,733,930</u>	<u>2,117,227,802</u>
Payments						
Employee related costs	(754,691,092)	(45,909,684)	(800,600,776)	-	(800,600,776)	(727,228,643)
Remuneration of Councillors	(20,384,515)	-	(20,384,515)	-	(20,384,515)	(21,312,027)
Finance Costs	(544,179)	(97,586)	(641,765)	-	(641,765)	(575,121)
Suppliers Paid	(126,462,049)	(23,688,249)	(150,150,298)	5,343,027	(144,807,271)	(203,326,935)
Other payments	(371,516,042)	-	(371,516,042)	56,237,398	(315,278,644)	(373,093,986)
	<u>(1,273,597,877)</u>	<u>(69,695,519)</u>	<u>(1,343,293,396)</u>	<u>61,580,425</u>	<u>(1,281,712,970)</u>	<u>(1,325,536,712)</u>
Net cash flows from operating activities	634,097,556	(10,076,596)	624,020,960	-	624,020,960	791,691,091
Cash flows from investing activities						
Purchase of property, plant and equipment	(559,750,761)	(764,470)	(560,515,231)	-	(560,515,231)	(736,422,436)
Proceeds on Disposal of Fixed Assets	100,733	56,113	156,846	-	156,846	233,668
Purchase of other intangible assets	-	(68,523)	(68,523)	-	(68,523)	(310,958)
Purchases of heritage assets	-	-	-	-	-	-
Purchase of Biological assets	-	(2,096,900)	(2,096,900)	-	(2,096,900)	(947,785)
Proceeds on Disposal of Biological assets	-	2,826,890	2,826,890	-	2,826,890	5,456,129
Net cash flows from investing activities	<u>(559,650,028)</u>	<u>(46,890)</u>	<u>(559,696,918)</u>	<u>-</u>	<u>(559,696,918)</u>	<u>(731,991,381)</u>
Cash flows from financing activities						
(Repayments) / Acquisitions of Long term loans	-	377,094	377,094	-	377,094	(147,769)
(Decrease) / Increase in Long-term receivables	-	(222,815)	(222,815)	-	(222,815)	270,189
	<u>-</u>	<u>154,279</u>	<u>154,279</u>	<u>-</u>	<u>154,279</u>	<u>122,420</u>
Net increase/(decrease) in cash and cash equivalents	74,447,528	(9,969,207)	64,478,321	-	64,478,321	59,822,129
Cash and cash equivalents at the beginning of the year	322,955,526	13,278,532	336,234,058	-	336,234,058	276,411,928
Cash and cash equivalents at the end of the year	<u>397,403,054</u>	<u>3,309,325</u>	<u>400,712,379</u>	<u>-</u>	<u>400,712,379</u>	<u>336,234,057</u>

Inter-Company transactions

Operational receipts

The R5.34 million relates to consulting fees charged by the Ntinga Development Agency to OR Tambo DM the work performed on infrastructure projects.

Transfers and subsidies

The R56.23 million relates to R45.49 grants received from OR Tambo DM, R4.1 million for unspent ORT grant in Ntinga and R6.64 million for VAT portion owed to Ntinga by ORT.

Suppliers Paid

The R5.34 million relates to fees paid to Ntinga for the work performed on infrastructure projects.

Other payments

The R56.23 million relates to R45.49 grants received from OR Tambo DM, R4.1 million for unspent ORT grant in Ntinga and R6.64 million for VAT portion owed to Ntinga by ORT.

OR Tambo District Municipality

(Registration number : DC15)

Annual Financial Statements for the year ended 30 June 2021

Annexure "A" - Segment Statement of Financial Performance - Controlling Entity

Figures in Rand	WATER & SANITATION	FIRE & RESCURE	OTHER DEPARTMENTS	TOTALS
REVENUE				
Revenue from Exchange Transactions				
Service Charges	300,164,216	-	-	300,164,216
Rental of Facilities and Equipment	-	-	7,170	7,170
Interest Earned - External Investments	-	-	15,461,947	15,461,947
Interest Earned - Outstanding Debtors	24,970,985	-	-	24,970,985
Operational revenue	503,133	-	1,134,749	1,637,882
Income from Agency Services	-	-	217,997	217,997
Total revenue from exchange transactions	325,638,334	-	16,821,863	342,460,197
Revenue from Non-exchange Transactions				
Transfer revenue				
Government Grants and Subsidies Received	1,721,631,070	-	38,893,097	1,760,524,167
Public Contributions and Donations	-	-	-	-
Total revenue from non-exchange transactions	1,721,631,070	-	38,893,097	1,760,524,167
Total revenue	2,047,269,404	-	55,714,960	2,102,984,364
EXPENDITURE				
Employee Related Costs	(293,083,475)	(53,834,111)	(413,979,506)	(760,897,092)
Remuneration of Councillors	-	-	(20,384,515)	(20,384,515)
Depreciation and Amortisation	(217,627,069)	-	(18,771,883)	(236,398,952)
Impairment Losses	(33,764,751)	-	(1)	(33,764,752)
Bad Debts Written off	(19,587,153)	-	-	(19,587,153)
Finance Costs	(544,179)	-	(15,873,000)	(16,417,179)
Bulk Purchases	(42,386,303)	-	-	(42,386,303)
Contracted Services	(43,531,254)	(3,321,678)	(85,932,152)	(132,785,084)
Transfers and subsidies	(178,775,815)	(2,501,700)	(129,517,715)	(310,795,230)
Inventory Consumed	(1,848,057)	-	(17,938,256)	(19,786,313)
Operational Costs	(77,875,785)	(1,159,989)	(113,162,850)	(192,198,624)
Total expenditure	(909,023,841)	(60,817,478)	(815,559,878)	(1,785,401,197)
Operating surplus	1,138,245,563	(60,817,478)	(759,844,918)	317,583,167
Gain / (Loss) on Disposal of Property, Plant and Equipment	-	-	50,116	50,116
Actuarial Gain / (Loss)	-	-	(5,371,000)	(5,371,000)
	-	-	(5,270,768)	(5,270,769)
Surplus for the year	1,138,245,563	(60,817,478)	(765,115,686)	312,312,398

OR Tambo District Municipality

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Annual Financial Statements for the year ended 30 June 2021

Segment Statement of Financial Position as at 30 June 2021

Figures in Rand	WATER & SANITATION	FIRE & DISASTER	OTHER DEPARTMENTS	TOTALS
CURRENT ASSETS				
Inventories	188,912	(44,050)	12,133,875	12,278,737
Receivables from Exchange Transactions	139,476,639	-	21,141,615	160,618,254
Receivables from Non-exchange Transactions	1,503,212	-	282,918	1,786,130
Prepayments	66,448,997	-	-	66,448,997
VAT Receivable	-	-	34,611,833	34,611,833
Cash and Cash Equivalents	283,886,063	-	113,516,991	397,403,054
	491,503,823.00	-	181,687,232.00	673,147,005.00
NON-CURRENT ASSETS				
Property, Plant and Equipment	6,981,521,711	4,270,813	138,287,993	7,124,080,517
Intangible Assets	-	-	1,130,485	1,130,485
Heritage Assets	-	-	247,025	247,025
	6,981,521,711.00	4,270,813.00	139,665,503.00	7,125,458,027.00
TOTAL ASSETS	7,473,025,534.00	4,226,763.00	321,352,735.00	7,798,605,032.00
CURRENT LIABILITIES				
Consumer Deposits	3,694,728	-	-	3,694,728
Employee Benefit Liabilities - Current portion	-	-	7,894,000	7,894,000
Payables from Exchange Transactions	-	-	481,536,500	481,536,500
Payables from Non-exchange Transactions	151,503,212	-	12,321,019	163,824,231
Unspent Conditional Grants and Receipts	191,428,546	-	56,164,542	247,593,088
VAT Payable	-	-	-	-
Current Portion of Long-term Liabilities	-	-	-	-
	346,626,486.00	-	557,916,061.00	904,542,547.00
NON-CURRENT LIABILITIES				
Employee Benefit Liabilities	-	-	143,524,861	143,524,861
	-	-	143,524,861.00	143,524,861.00
TOTAL LIABILITIES	346,626,486.00	-	701,440,922.00	1,048,067,408.00
Net Assets	7,126,399,048.00	4,226,763.00	(380,088,187.00)	6,750,537,624.00
Accumulated surplus / (Deficit)	7,126,399,048.00	4,226,763.00	(380,088,187.00)	6,750,537,624.00

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Annual Financial Statements for the year ended 30 June 2021

Annexure "A" - Segment Statement of Financial Performance - Controlled Entity (Ntinga)

	Umzikantu Red Meat Abattoir	Adam kok Farms	Kei Fresh Produce Market	Water Services	Total
Revenue					
Agency Services	-	-	-	5,343,027	5,343,027
Fresh Farm Products - Meat	10,452,083	-	-	-	10,452,083
Slaughter Services	323,593	-	-	-	323,593
Commission	-	-	413,103	-	413,103
Office rentals, storage fees, parking fees etc	-	-	316,308	-	316,308
Sales of Fresh Farm Products - Animals	-	3,126,065	-	-	3,126,065
Sales of Fresh Farm Products - Crops	-	476,914	-	-	476,914
Total revenue	10,775,676	3,602,979	729,411	5,343,027	20,451,093
Employee costs	3,206,493	4,049,955	3,675,645	7,717,920	18,650,013
Depreciation	300,466	-	751,778	-	1,052,245
Other operational costs	7,152,604	8,420,449	1,627,884	2,447,425	19,648,363
Total expenditure	10,659,564	12,470,404	6,055,307	10,165,345	39,350,620
Surplus/(Deficit) for the period	116,112	- 8,867,425	- 5,325,896	- 4,822,318	- 18,899,527
ASSETS					
Property, plant and equipment	2,386,368	-	3,989,041	-	23,214,352
Receivables	205,800	-	366,276	-	572,076
Biological assets	-	16,838,943	-	-	-
Total Assets	2,592,168	16,838,943	4,355,317	-	23,786,428
LIABILITIES					
Trade creditors	503,742	4,227	693,898	-	1,201,867
Total Liabilities	503,742	4,227	693,898	-	1,201,867