Fezile Dabi District Municipality
(Registration number DC20)
Annual Financial Statements
for the year ended 30 June 2021

General Information

Legal form of entity	Municipality
Domicile	South Africa
Nature of business and principal activities	Fezile Dabi is a district municipality performing the functions as set out in the Constitution of the Republic of South Africa (Act No.108 of 1996)
Accounting Officer	Ms ML Molibeli
Chief Finance Officer (CFO)	Ms NP Mdaka
Mayoral committee	
Executive Mayor	Cllr Moshodi
Speaker	Cllr Kubheka
Mayoral Councillors	Cllr V De Beer
	Cllr MA Mosia
	Cllr J Mareka (deceased)
	Cllr P Modikoe
	Cllr M Magashule
Chairperson of MPAC	Cllr G Nkethu
Registered office	John Vorster Road Sasolburg 1947
Postal address	P.O Box 10 Sasolburg 1947
Bankers	ABSA
Auditors	The Auditor General of South Africa Registered Auditors
Attorneys	Webber Attorneys Bloemfontein Rajuili Attorneys Ngwane Attorneys Noge Attorneys O Ntuli
Grading of local authority	Grade 1 Low Capacity Municipality
Municipal demarcation code	DC20

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

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is her responsibility to ensure that the annual financial statements satisfy the financial reporting standards with regards to form and content and present fairly the statement of financial position, results of operations and business of the municipality, and explain the transactions and financial position of the business of the municipality at the end of the financial year. The annual financial statements are based upon appropriate accounting policies consistently applied throughout the municipality and supported by reasonable and prudent judgements and estimates.

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

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

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

The accounting officer has reviewed the municipality’s cash flow forecast for the year to 30 June 2022 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the accounting officer on 31 July 2021 and were signed on its behalf by:

The accounting officer would like to bring the following material matters to your attention:

I certify that the salaries, allowances and benefits of councillors as disclosed in note 20 to the 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.

Accounting Officer
Municipal Manager

Statement of Financial Position as at 30 June 2021

Figures in Rand	Note(s)	2021	2020
Assets			
Current Assets			
Cash and cash equivalents	3	97 988 085	107 315 274
Receivables from exchange transactions	4	2 440 330	706 095
Receivables from non-exchange transactions	5	10 118 914	2 553 914
VAT receivable	6	2 172 374	124 611
		112 719 703	**110 699 894**
Non-Current Assets			
Property, plant and equipment	7	84 877 970	85 230 690
Intangible assets	8	1 366 373	1 650 910
		86 244 343	**86 881 600**
Total Assets		**198 964 046**	**197 581 494**
Liabilities			
Current Liabilities			
Payables from exchange transactions	9	26 033 212	24 935 201
Unspent conditional grants and receipts	10	11 037 139	6 564 109
Finance lease obligation	11	850 155	731 687
Operating lease liability	12	5 703	13 668
Provisions	13	-	511 499
Employee benefit obligation	14	2 001 000	1 445 000
		39 927 209	**34 201 164**
Non-Current Liabilities			
Finance lease obligation	11	-	893 169
Employee benefit obligation	14	28 209 000	25 556 001
		28 209 000	**26 449 170**
Total Liabilities		**68 136 209**	**60 650 334**
Net Assets		**130 827 837**	**136 931 160**
Reserves			
Revaluation reserve	15	2 560 031	3 566 338
Accumulated surplus		128 267 806	133 364 822
Total Net Assets		**130 827 837**	**136 931 160**

Statement of Financial Performance

Figures in Rand	Note(s)	2021	2020
Revenue			
Revenue from exchange transactions			
Actuarial gains	14	318 801	2 351 336
Insurance pay-out		89 186	-
Interest received - investment	17	4 905 089	7 726 832
Other income	16	780 116	1 643 370
Total revenue from exchange transactions		**6 093 192**	**11 721 538**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	18	170 472 599	162 525 488
Total revenue		**176 565 791**	**174 247 026**
Expenditure			
Employee related costs	19	(112 031 721)	(103 397 792)
Remuneration of councillors	20	(7 960 587)	(7 752 868)
Depreciation and amortisation	21	(7 360 182)	(7 479 259)
Impairment loss	22	-	(33 553 327)
Finance costs	23	(2 263 007)	(1 533 287)
Repairs and maintenance	24	(1 040 300)	(1 169 188)
Contracted services	25	(8 898 591)	(8 347 499)
Transfers and Subsidies	26	(4 906 000)	(6 906 888)
Loss on disposal of assets and liabilities	27	(146 667)	(168 017)
General Expenses	28	(38 621 957)	(39 671 629)
Total expenditure		**(183 229 012)**	**(209 979 754)**
Deficit for the year		**(6 663 221)**	**(35 732 728)**

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at 01 July 2019	**4 572 646**	**194 218 534**	**198 791 180**
Changes in net assets			
Transfer out	-	66 435 439	66 435 439
Prior year adjustments	-	(91 665 920)	(91 665 920)
Adjustment	-	109 497	109 497
Net income (losses) recognised directly in net assets	-	(25 120 984)	(25 120 984)
Surplus for the year	-	(35 732 728)	(35 732 728)
Total recognised income and expenses for the year	-	(60 853 712)	(60 853 712)
Revaluation reserve realised	(1 006 308)	-	(1 006 308)
Total changes	(1 006 308)	(60 853 712)	(61 860 020)
Opening balance as previously reported	3 566 338	133 364 822	136 931 160
Adjustments			
Prior year adjustments	-	2 188 368	2 188 368
Balance at 01 July 2020 as restated*	**3 566 338**	**135 553 190**	**139 119 528**
Changes in net assets			
Prior year adjustments	-	(622 163)	(622 163)
Net income (losses) recognised directly in net assets	-	(622 163)	(622 163)
Surplus for the year	-	(6 663 221)	(6 663 221)
Total recognised income and expenses for the year	-	(7 285 384)	(7 285 384)
Revaluation reserve realised	(1 006 307)	-	(1 006 307)
Total changes	(1 006 307)	(7 285 384)	(8 291 691)
Balance at 30 June 2021	**2 560 031**	**128 267 806**	**130 827 837**
Note(s)	15		

Cash Flow Statement

Figures in Rand	Note(s)	2021	2020
Cash flows from operating activities			
Receipts			
COGTA ICT		7 350 000	-
Vat refunds received		2 880 173	3 889 503
RSC Levy Replacement Grant		153 478 000	162 525 488
Interest income		5 060 793	7 726 832
Energy efficiency grant		2 700 000	-
Financial Management Grant		1 000 000	-
Asset management		2 206 000	-
Other receipts		869 302	1 643 370
		175 544 268	175 785 193
Payments			
Employee costs		(119 992 308)	(111 831 290)
Suppliers		(57 817 394)	(39 194 119)
Finance costs		(165 977)	-
Other payments		-	(675 708)
		(177 975 679)	(151 701 117)
Net cash flows from operating activities	29	**(2 431 411)**	**24 084 076**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(6 895 778)	(1 662 657)
Net cash flows from investing activities		**(6 895 778)**	**(1 662 657)**
Cash flows from financing activities			
Finance lease payments		-	(173 794)
Net increase/(decrease) in cash and cash equivalents		**(9 327 189)**	**22 247 625**
Cash and cash equivalents at the beginning of the year		107 315 274	92 978 346
Cash and cash equivalents at the end of the year	3	**97 988 085**	**107 315 274**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Insurance pay-out	-	-	**-**	89 186	**89 186**	
Other income	1 450 000	(1 110 000)	**340 000**	780 116	**440 116**	43.1
Interest received - investment	8 000 000	-	**8 000 000**	4 905 089	**(3 094 911)**	43.2
Total revenue from exchange transactions	**9 450 000**	**(1 110 000)**	**8 340 000**	**5 774 391**	**(2 565 609)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	165 729 000	9 020 000	**174 749 000**	170 472 599	**(4 276 401)**	43.3
Total revenue	**175 179 000**	**7 910 000**	**183 089 000**	**176 246 990**	**(6 842 010)**	
Expenditure						
Personnel	(119 190 800)	1 515 300	**(117 675 500)**	(112 031 721)	**5 643 779**	43.4
Remuneration of councillors	(8 758 000)	-	**(8 758 000)**	(7 960 587)	**797 413**	43.5
Depreciation and amortisation	(3 000 000)	-	**(3 000 000)**	(7 360 182)	**(4 360 182)**	43.6
Finance costs	(1 300 000)	-	**(1 300 000)**	(2 263 007)	**(963 007)**	43.8
Repairs and Maintenance	(2 068 000)	396 000	**(1 672 000)**	(1 040 300)	**631 700**	43.9
Contracted Services	(8 323 000)	(1 737 101)	**(10 060 101)**	(8 898 591)	**1 161 510**	43.10
Transfers and Subsidies	(5 206 000)	300 000	**(4 906 000)**	(4 906 000)	**-**	43.11
General Expenses	(40 495 350)	(6 642 799)	**(47 138 149)**	(38 621 957)	**8 516 192**	43.12
Total expenditure	**(188 341 150)**	**(6 168 600)**	**(194 509 750)**	**(183 082 345)**	**11 427 405**	
Operating deficit	**(13 162 150)**	**1 741 400**	**(11 420 750)**	**(6 835 355)**	**4 585 395**	
Loss on disposal of assets and liabilities	-	-	**-**	(146 667)	**(146 667)**	43.13
Actuarial gains/losses	-	-	**-**	318 801	**318 801**	43.14
	-	**-**	**-**	**172 134**	**172 134**	
Deficit before taxation	**(13 162 150)**	**1 741 400**	**(11 420 750)**	**(6 663 221)**	**4 757 529**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(13 162 150)**	**1 741 400**	**(11 420 750)**	**(6 663 221)**	**4 757 529**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Receivables from exchange transactions	-	-	-	2 440 330	**2 440 330**	43.15
Receivables from non-exchange transactions	-	-	-	10 118 914	**10 118 914**	43.16
VAT receivable	-	-	-	2 172 374	**2 172 374**	43.17
Cash and cash equivalents	-	-	-	97 988 085	**97 988 085**	43.18
	-	**-**	**-**	**112 719 703**	**112 719 703**	
Non-Current Assets						
Property, plant and equipment	160 000	554 000	**714 000**	84 877 970	**84 163 970**	43.19
Intangible assets	-	200 000	**200 000**	1 366 373	**1 166 373**	43.20
	160 000	**754 000**	**914 000**	**86 244 343**	**85 330 343**	
Total Assets	**160 000**	**754 000**	**914 000**	**198 964 046**	**198 050 046**	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	850 155	**850 155**	43.21
Operating lease liability	-	-	-	5 703	**5 703**	43.22
Payables from exchange transactions	-	-	-	26 033 212	**26 033 212**	43.23
Employee benefit obligation	-	-	-	2 001 000	**2 001 000**	43.24
Unspent conditional grants and receipts	-	-	-	11 037 139	**11 037 139**	44.25
	-	**-**	**-**	**39 927 209**	**39 927 209**	
Non-Current Liabilities						
Employee benefit obligation	-	-	-	28 209 000	**28 209 000**	43.24
Total Liabilities	**-**	**-**	**-**	**68 136 209**	**68 136 209**	
Net Assets	**160 000**	**754 000**	**914 000**	**130 827 837**	**129 913 837**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Revaluation reserve	-	-	-	2 560 031	**2 560 031**	43.27
Accumulated surplus	160 000	754 000	**914 000**	128 267 806	**127 353 806**	43.28
Total Net Assets	**160 000**	**754 000**	**914 000**	**130 827 837**	**129 913 837**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Cash receipts from government grants	165 729 000	9 020 000	**174 749 000**	166 734 001	**(8 014 999)**	43.29
Interest income	8 000 000	-	**8 000 000**	5 060 793	**(2 939 207)**	43.30
Other cash receipts	1 450 000	(1 110 000)	**340 000**	935 186	**595 186**	43.31
VAT refunds	-	-	**-**	2 880 173	**2 880 173**	
	175 179 000	**7 910 000**	**183 089 000**	**175 610 153**	**(7 478 847)**	
Payments						
Employee costs	(129 019 800)	1 662 300	**(127 357 500)**	(122 014 110)	**5 343 390**	43.32
Suppliers	(55 021 350)	-	**(55 021 350)**	(62 062 151)	**(7 040 801)**	43.33
Finance costs	(1 300 000)	(7 830 900)	**(9 130 900)**	(165 977)	**8 964 923**	43.34
	(185 341 150)	**(6 168 600)**	**(191 509 750)**	**(184 242 238)**	**7 267 512**	
Net cash flows from operating activities	**(10 162 150)**	**1 741 400**	**(8 420 750)**	**(8 632 085)**	**(211 335)**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(160 000)	(754 100)	**(914 100)**	(695 103)	**218 997**	43.35
Net increase/(decrease) in cash and cash equivalents	(10 322 150)	987 300	**(9 334 850)**	(9 327 188)	**7 662**	43.36
Cash and cash equivalents at the beginning of the year	107 315 275	-	**107 315 275**	107 315 275	**-**	43.37
Cash and cash equivalents at the end of the year	**96 993 125**	**987 300**	**97 980 425**	**97 988 087**	**7 662**	

Accounting Policies

Figures in Rand	Note(s)	2021	2020

1. Presentation of Annual Financial Statements

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

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

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

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

These accounting policies are consistent with the previous period.

1.1 Going concern assumption

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

1.2 Materiality

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

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

1.3 Significant judgements and sources of estimation uncertainty

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

Receivables

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

The impairment for loans and receivables is calculated on a portfolio basis. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of potentially impaired cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the discounted project cash flows for example discount rate, condition of the asset, estimate future cash inflow, outflow, the term for discounting, assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Value in use of cash-generating assets

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

Value in use of non cash-generating asset

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

Useful lives of property, plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment and other assets. This estimate is based on industry norm and on the pattern in which an asset's future economic benefit or service potential is expected to be consumed by the municipality. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives and decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

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

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post retirement and long term obligations. In determining the appropriate discount rate, the municipality considers the market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Where there is no deep market in government bonds wth a sufficiently long maturity to match the estimated maturity of all the benefit payments, the municipality uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 14.

Effective interest rate

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

Provisions

Payment of perfromance bonuses depends on the availability of funds and is of subject to the prerogative of the council to approve. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Accounting Policies

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

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

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

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

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

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

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

1.4 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value. The depreciated charge for each period is recognised in surplus and deficit.

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 years
Machinery and equipment	Straight-line	1-30 years
Furniture and office equipment	Straight-line	2-30 years
Motor vehicles	Straight-line	2-30 years
Computer equipment	Straight-line	2-30 years
Infrastructure assets	Straight-line	5-80 years
Leased assets	Straight-line	2-7 years

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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

Assets of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 7 & 24).

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

1.5 Intangible assets

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

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

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

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management’s best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially measured at cost.

1.5 Intangible assets (continued)

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Item	Depreciation method	Average useful life
Software applications	Straight-line	5-12 years

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

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

1.6 Impairment of cash-generating assets

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

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

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

Designation

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

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

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

1.6 Impairment of cash-generating assets (continued)

Identification

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

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

Value in use

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

Basis for estimates of future cash flows

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

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

1.6 Impairment of cash-generating assets (continued)

Cash-generating units

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

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

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:
- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

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

Reversal of impairment loss

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

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

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

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

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

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

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and

1.6 Impairment of cash-generating assets (continued)

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

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

Redesignation

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

1.7 Impairment of non-cash-generating assets

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

Management uses its discretion in acquiring and managing assets of the municipality. Where assets are used primarily with the intention of generating a commercial return and generating cash flows managed for cash-generating purposes the assts are treated as cash generating assets.

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

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

Designation

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

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

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

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

Identification

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

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

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

Accounting Policies

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

Value in use

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

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

Depreciated replacement cost approach

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

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

Restoration cost approach

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

Service units approach

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

Recognition and measurement

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

An impairment loss is recognised immediately in surplus or deficit.

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

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

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

Accounting Policies

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

Reversal of an impairment loss

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

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

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

Redesignation

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

1.8 Financial instruments

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

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

Classification

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

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade & other receivables from exchange transactions	Financial asset measured at amortised cost

Accounting Policies

1.8 Financial instruments (continued)

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

Class	**Category**
Trade & other payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

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

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

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

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

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

Fair value measurement considerations

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

Gains and losses

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

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

Impairment and uncollectibility of financial assets

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

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the financial assets. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

1.8 Financial instruments (continued)

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

Derecognition

Financial assets

The municipality derecognises financial assets using trade date accounting.

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

- derecognises the asset; and
- recognises separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.9 Leases

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

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

Accounting Policies

1.9 Leases (continued)

Finance leases - lessee

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

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

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

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

1.10 Inventories

Inventories are assets:
- held for sale in the ordinary course of business;
- in the process of production for such sale; or
- in the form of materials or supplies to be consumed in the production process or in the rendering of services.

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

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

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

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

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered.

The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Value-added Tax (VAT)

The municipality is registered with the South African Revenue Service (SARS) for VAT on payment basis, in accordance with Section 15(2) of the Value-added Tax Act 89 of 1991.

1.12 Employee benefits

Short-term employee benefits

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

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

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:
- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

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

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Multi-employer plans and/or State plans and/or Composite social security programmes

The municipality classifies a multi-employer plan and/or state plans and/or composite social security programmes as a defined contribution plan or a defined benefit plan under the terms of the plan (including any constructive obligation that goes beyond the formal terms).

Where a plan is a defined contribution plan, the municipality accounts for in the same way as for any other defined contribution plan.

Where a plan is a defined benefit plan, the municipality account for its proportionate share of the defined benefit obligation, plan assets and cost associated with the plan in the same way as for any other defined benefit plan.

When sufficient information is not available to use defined benefit accounting for a plan, that is a defined benefit plan, the municipality account for the plan as if it was a defined contribution plan.

Accounting Policies

1.12 Employee benefits (continued)

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which municipality pays fixed contributions into a separate municipality (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within 12 months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

Post-employment benefits: Defined benefit plans

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

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

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

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

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

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

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The municipality account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

Accounting Policies

1.12 Employee benefits (continued)

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- actuarial gains and losses;
- past service cost;

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

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

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

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

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

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

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

1.12 Employee benefits (continued)

Other post retirement obligations

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

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The municipality recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- actuarial gains and losses,

1.13 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating surplus (deficit).

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

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

1.13 Provisions and contingencies (continued)

- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36.

1.14 Accumulated surplus/(deficit)

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

1.15 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve.

The revaluation surplus is realised as revalued assets are depreciated, through a transfer from the revaluation reserve to the accumulated surplus.

On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.16 Revenue from exchange transactions

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

Measurement

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

1.16 Revenue from exchange transactions (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

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

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

1.17 Revenue from non-exchange transactions

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

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

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

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

Measurement

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

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

Transfers

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

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

Debt forgiveness and assumption of liabilities

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

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

Accounting Policies

1.17 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

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

Services in-kind

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

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

1.18 Investment income

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

1.19 Unauthorised expenditure

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

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

1.20 Fruitless and wasteful expenditure

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

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

1.21 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.

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

1.22 Commitments

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

Accounting Policies

1.22 Commitments (continued)

Disclosures are required in respect of unrecognised contractual commitments which include future capital commitments relating to property, palnt and equipment, investment property, intangible assets and heritage assets, as applicable, operational commitmnts as wellas future commitments relating to operating lease..

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

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

1.23 Budget information

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

The approved budget covers the fiscal period from 2020/07/01 to 2021/06/30.

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

1.24 Related parties

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

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

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

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

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, Refer to note 37 - Related parties

1.25 Events after reporting date

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

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

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

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

Accounting Policies

1.26 Comparative figures

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

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

2. New standards and interpretations

2.1 Standards and interpretations effective in the current year

In the current year, the following standards and interpretations are effective for the current financial year.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18 on Segment Reporting	20 April 2020	Not expected to impact results but has resulted in additional disclosure
• GRAP 34 on Separate Financial Statements	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• GRAP 35 on Consolidated Financial Statements*	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• GRAP 36 on Investments in Associates and Joint Ventures	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• GRAP 37 on Joint Arrangements	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• GRAP 38 on Disclosure of Interests in Other Entities	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• GRAP 110 on Living and Non-living Resources	20 April 2020	Not relevant to the activities of the municipality in the year under review.
• IGRAP 20 on Adjustments to Revenue (and related amendments to IGRAP 20)	20 April 2020	Not relevant to the activities of the municipality in the year under review.

3. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

	2021	2020
Bank balances	15 334 163	27 977 883
Short-term deposits	82 653 922	79 337 391
	97 988 085	**107 315 274**

3. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2021	30 June 2020	30 June 2019	30 June 2021	30 June 2020	30 June 2019
Absa Current - 520000100	1 361 345	988 952	2 407 355	1 360 902	934 123	2 152 843
Absa HIV - 9209269959	983 962	957 821	488 884	983 962	958 172	488 884
Absa Savings - 9070399717	12 989 300	26 085 590	16 305 629	12 989 300	26 085 590	16 305 628
Absa - 2067390363	13 911 528	13 414 732	12 522 938	13 911 528	13 414 733	12 522 938
Absa - 2068681892	9 795 079	9 447 610	8 832 133	9 795 079	9 447 609	8 832 132
Nedbank - 7288009165	13 000 948	12 645 185	11 982 853	13 000 948	12 643 732	11 981 400
Standard bank - 728670534/006	13 414 422	12 629 963	11 728 385	13 414 422	12 630 324	11 728 745
Standard bank - 728670535/008	17 609 234	16 964 060	15 743 149	17 609 234	16 964 060	15 743 148
Standard bank - 728670534/010	14 923 804	14 236 934	13 222 627	14 923 804	14 236 933	13 222 627
Total	**97 989 622**	**107 370 847**	**93 233 953**	**97 989 179**	**107 315 276**	**92 978 345**

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits are neither past due nor impaired and can be assessed by reference to external credit ratings.

	2021	2020
Credit rating		
AA+ (zaf) Fitch national long term rating	97 988 086	107 315 276

Cash and cash equivalents pledged as collateral

None of the municipality's cash and cash equivalents is pledged as collateral.

Non-cash assets pledged as security

None of the municipality's cash and cash equivalents is pledged as security.

Cash and cash equivalents where availability is restricted

None of the municipality's available cash and cash equivalent is restricted for use.

4. Receivables from exchange transactions

	2021	2020
Accrued interest	136 875	303 941
Recoverable - private phone calls	103 455	92 596
Prepaid expenses	2 200 000	309 558
	2 440 330	**706 095**

Up to 30 June 2021, trade receivables were recognised at transaction price less provision for impairment. A provision for impairment of trade and other receivables was established when there was an objective evidence that the municipality would not be able to collect all the amounts due according to the original terms of receivables and applicable council policies. No provision for imparment were raised during the current and prior year.

Prepaid expense is as a result of advance payment made to the attoneys as surety.

Trade and other receivables pledged as security

Notes to the Annual Financial Statements

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4. Receivables from exchange transactions (continued)

None of the trade and other receivables from exchange transactions are pledged as security

Credit quality of trade and other receivables from exchange transactions

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

Trade and other receivables past due but not impaired

The municipality considers trade and other receivables from exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider a trade and other receivable from exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held.

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2021, R83 640 (2020: R 91 430) were past due but not impaired.

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

90 days past due	83 640	91 430

Trade and other receivables impaired

As of 30 June 2021, none of trade and other receivable were impaired R - (2020: R -).

5. Receivables from non-exchange transactions

Recoverable - UIFWE	533 291	533 291
Fuel Deposit	1 000	1 000
Other sundry receivables	354 623	354 623
Accrued Income -Grants	9 230 000	1 665 000
	10 118 914	**2 553 914**

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions are pledged as security.

Credit quality of receivables from non-exchange transactions

The credit quality of other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to historical information about counterparty default rates:

Accrued income grants - is made up of R1 665 000 and R7 565 000 grants that were not recceived in full 19/20 and 20/21 respectively.

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions past due but not impaired

The municipality considers receivables from non-exchange transactions in default when contractual payments are 90 days past due. However, in certain cases, the municipality may also consider receivable from non-exchange transaction to be in default when internal or external information indicates that the municipality is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held. A receivable from non-exchange transaction is written off when there is no reasonable expectation of recovering the contractual cash flows.

At 30 June 2021, trade and other receivables of R 888 914 (2020: R 7 190 275) were past due but not impaired.

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

90 days past due	888 794	7 190 275

Trade and other receivables from exchange transactions impaired

As of 30 June 2021, none of the receivable were impaired R - (2020: R -).

6. VAT receivable

Net input VAT receivable	2 172 374	124 611

The municipality is registered for VAT on a payment basis with South African Revenue Services and is required to file VAT returns on a monthly basis.

7. Property, plant and equipment

	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	2 900 000	-	2 900 000	2 900 000	-	2 900 000
Buildings	19 611 670	(4 295 461)	15 316 209	19 611 669	(2 779 091)	16 832 578
Plant and machinery	3 360 678	(2 849 321)	511 357	3 495 633	(2 900 077)	595 556
Furniture and fixtures	7 627 630	(6 311 256)	1 316 374	7 717 138	(6 158 292)	1 558 846
Motor vehicles	15 597 725	(10 220 884)	5 376 841	15 664 889	(9 319 002)	6 345 887
IT equipment	11 347 720	(4 493 326)	6 854 394	5 598 865	(4 734 635)	864 230
Infrastructure	106 689 230	(54 902 787)	51 786 443	106 693 841	(52 153 457)	54 540 384
Work of Art and Paintings	39 732	-	39 732	39 969	-	39 969
Leased assets	2 329 860	(1 553 240)	776 620	2 354 228	(800 988)	1 553 240
Total	**169 504 245**	**(84 626 275)**	**84 877 970**	**164 076 232**	**(78 845 542)**	**85 230 690**

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Missing assets	Other changes, movements	WIP ICT	Depreciation	Impairment loss	Total
Land	2 900 000	-	-	-	-	-	-	2 900 000
Buildings	16 832 578	-	-	-	-	(1 516 369)	-	15 316 209
Plant and machinery	595 556	195 948	(93 707)	2 887	-	(188 999)	(328)	511 357
Furniture and fixtures	1 558 846	298 315	(44 604)	15 677	-	(508 126)	(3 734)	1 316 374
Motor vehicles	6 345 887	-	(38 689)	399	-	(930 756)	-	5 376 841
IT equipment	864 230	200 840	(30 159)	26 202	6 200 675	(401 784)	(5 610)	6 854 394
Infrastructure	54 540 384	-	-	(4 721)	-	(2 749 220)	-	51 786 443
Work of Art and Paintings	39 969	-	(237)	-	-	-	-	39 732
Leased assets	1 553 240	-	-	-	-	(776 620)	-	776 620
	85 230 690	**695 103**	**(207 396)**	**40 444**	**6 200 675**	**(7 071 874)**	**(9 672)**	**84 877 970**

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Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Other changes, movements	Depreciation	Impairment loss	Total
Land	2 900 000	-	-	-	-	-	2 900 000
Buildings	18 328 875	-	-	-	(1 496 297)	-	16 832 578
Plant and machinery	746 301	89 288	(82)	(4 545)	(235 406)	-	595 556
Furniture and fixtures	1 402 357	587 498	(139 198)	160 765	(445 200)	(7 376)	1 558 846
Motor vehicles	6 221 027	1 167 960	(109 447)	109 446	(1 043 099)	-	6 345 887
IT equipment	1 114 286	178 523	(29 279)	31 881	(431 721)	540	864 230
Infrastructure	90 740 690	-	-	-	(2 756 476)	(33 443 830)	54 540 384
Work of Art and Paintings	39 969	-	-	-	-	-	39 969
Leased assets	-	2 378 596	-	(48 736)	(776 620)	-	1 553 240
	121 493 505	**4 401 865**	**(278 006)**	**248 811**	**(7 184 819)**	**(33 450 666)**	**85 230 690**

Pledged as security

Municipal assets was written off without counsel approval as required.

The assets amounting to R207 396 were missing during the asset verification, and these assets were removed from the assets register whilst the investigation are taking place. Once investigations are completed these assets will be taken to council for write-off.

Assets subject to finance lease (Net carrying amount)

Leased assets	776 620	1 553 240

Notes to the Annual Financial Statements

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7. Property, plant and equipment (continued)

Revaluations

Land and buildings are re-valued independently every 5 years. Revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.The following properties were revalued:

The municipality's land and buildings were revalued using the Depreciated Replacement Cost (DRC) method of valuation. DRC is a method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation.

Revaluation of land and building was performed by an independent valuer, Kgolofelo Property Services CC. The effective date of the revaluation was 30 July 2018

Portion 2 of Erf 8 Sasolburg and
Portion 1 of Erf 49 Sasolburg
Weltevreden settlement agricultural holding 78, off R82.

Details of properties

Portion 1 of Erf 49 Sasolburg

	2021	2020
Building Improvements Value	9 350 000	9 350 000
Land Value	1 350 000	1 350 000
	10 700 000	**10 700 000**

Portion 2 of Erf 8 Sasolburg

	2021	2020
Building Improvements Value	10 250 000	10 250 000
Land Value	1 450 000	1 450 000
	11 700 000	**11 700 000**

Weltevreden settlement agricultural holding 78

	2021	2020
Movable Assets	1 200 237	1 200 237

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment	2021	2020
Opening balance	-	171 857 662
Carrying value derecognised	-	(171 857 662)
	-	**-**

Fezile Dabi District Municipality entered into a Memorandum of Agreement with Free State Department of Sports, Recreation, Arts & Culture (Department) in November 2010 for the purpose of construction of the Stadium in Tumahole. The stadium has been fair valued and the carrying amount of previously recognised Work-In-Progress or R 171,857,662 has been derecognised and the stadium has subsequently been fully capitalised at a fair value of R 59,809,376 included under infrastructure assets. The land on which the stadium is built is still under private ownership.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

7. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Buildings	100 092	214 758
Furniture & office equipment	401 932	412 219
Motor vehicles	543 740	542 211
	1 045 764	**1 169 188**

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

8. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3 408 598	(2 042 225)	1 366 373	3 413 881	(1 762 971)	1 650 910

Reconciliation of intangible assets - 2021

	Opening balance	Correction of error	Amortisation	Total
Computer software, other	1 650 910	3 771	(288 308)	1 366 373

Reconciliation of intangible assets - 2020

	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	1 918 216	27 134	(294 440)	1 650 910

9. Payables from exchange transactions

Trade payables	12 991 963	10 954 997
Retentions	80 149	-
Accrued leave pay	10 160 072	11 179 176
Accrued bonus	2 801 028	2 801 028
	26 033 212	**24 935 201**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

10. Unspent conditional grants and receipts

Payables from non-exchange transactions consists of unspent capital and operating conditional grants received from the National government for implementation of various projects that were assigned to the municipality. The effect of grants receipts and expenditure is detailed below:

Unspent conditional grants and receipts comprises of:

	2021	2020
Capital grants		
Municipal Infrastructure Grant (MIG)	4 994 401	4 994 401
Integrated National Electrification Programme Grant	69 196	69 196
Cogta IT assistance grant	3 826 401	-
Operating grants		
Rural Roads Asset Management System (RRAMS)	306 835	33 283
Energy Efficient Management Grant	1 840 306	1 467 229
	11 037 139	**6 564 109**

Movement during the year

	2021	2020
Balance at the beginning of the year	6 564 109	5 063 597
Additions/ (Utilization) during the year	4 473 030	1 500 512
	11 037 139	**6 564 109**

In terms of DORA the municipality was to receive grants amount of R161 043 000 and National treasury withheld R7 565 000. .

30 June 2021

Capital grant	Municipal Infrastructure Grant	Integrated National Electrification Programme Grant	COGTA IT Assistance Grant	Total
Opening balance at the beginning of the year	4 994 401	69 196	-	5 063 597
Add: Receipts/Additions during the year	-	-	7 350 000	7 350 000
Less: Income recognition during the year	-	-	(3 523 599)	(3 523 599)
	4 994 401	**69 196**	**3 826 401**	**8 889 998**

Operating grant	Energy Efficiency & Demand Side Management Grant	Rural Roads Assets Management Systems Grant	Financial Management Grant	Total
Opening balance at the beginning of the year	1 467 229	33 283	-	1 500 512
Add: Receipts/Additions during the year	2 700 000	2 206 000	1 000 000	5 906 000
Less: Income recognition during the year	(2 700 000)	(2 206 000)	(1 000 000)	(5 906 000)
	1 467 229	**33 283**	**-**	**1 500 512**

Figures in Rand	2021	2020

10. Unspent conditional grants and receipts (continued)

30 June 2020

Capital grants	Municipal Infrastructure Grant	Integrated National Electrification Programme Grant	FS Provincial Government Grants	Total
Opening balance at the beginning of the year	4 994 401	69 196	-	5 063 597

Operating grant	Energy Efficiency & Demand Side Management Grant	Rural Roads Assets Management Systems Grant	Financial Management Grant	Total
Add: Receipts/Additions during the year	6 000 000	2 318 000	1 000 000	9 318 000
Less: Income recognition during the year	(4 532 771)	(2 284 717)	(1 000 000)	(7 817 488)
	1 467 229	**33 283**	**-**	**1 500 512**

Municipal Infrastructure Grant (MIG):

During 2017/18 financial year Mafube Local Municipality MIG funds were regazetted under Fezile Dabi District Municipality in terms of the Directive of the Minister of Finance dated 16 October 2017. The purpose of the funds was for Fezile Dabi District Municipality to continue with the implementation of various capital projects in Mafube Local Municipality that were already under implementation prior to regazetting of funds. As at 30 June 2021 Rnil (2020: R 4,994,401) was unspent.

Integrated National Electrification Programme Grant (INEPG):

The INEP fund was sourced by Fezile Dabi District Municipality from the National Department of Energy in order to assist Mafube Local Municipality with electrification of households in that area. As at 30 June 2021 Rnil (2020: R69 196) was unspent.

Rural Roads Asset Management System Grant (RRAMSG):

The purpose of RRAMS Grant is to conduct assessment and feasibility of roads in the region and then data is forwarded to the province in a form of report. As at 30 June 2021 R273 603 (2020: R33 283) was unspent.

Financial Management Grant (FMG):

The purpose of the FMG is to promote and support municipal financial management reforms and assist municipalities with the implementation of the MFMA.

Energy Efficiency & Demand Side Management Grant (EEDSMG):

The purpose of EEDSMG is to support municipalities in their efforts to reduce electricity consumption by optimising their use of energy. As at 30 June 2021 R373 077 (2020: R1 467 229) was unspent.

Cogta IT Assistance Grant

The purpose of Cogta IT assistance grant is to assist district and it local municipalities with video conferencing equipment. Municipality received R7 350 000. The grant is added to FMG above, due to technical limitations of Caseware.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

11. Finance lease obligation

Finance lease obligations comprise:		
Office printing equipment	-	893 170
Minimum lease payments due		
- within one year	884 520	884 520
- in second to fifth year inclusive	-	884 520
	884 520	1 769 040
less: future finance charges	(40 086)	(149 906)
Present value of minimum lease payments	**844 434**	**1 619 134**
Present value of minimum lease payments due		
- within one year	844 434	844 434
- in second to fifth year inclusive	-	774 701
	844 434	**1 619 135**
Non-current liabilities	-	893 169
Current liabilities	850 155	731 687
	850 155	**1 624 856**

It is municipal policy to lease office printing equipment and communication gadgets under finance leases. The average lease term is 3 and 2 years respectively and the municipality's average effective borrowing rate was 8.65% (2019: 8.6.5%). Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. The lease is not subject to automatic renewal or purchase options and is not subject to escalation for the duration of the lease term.

12. Operating lease asset (accrual)

Current liabilities	(5 703)	(13 668)
Office buildings	5 703	13 668
Future minimum lease payments		
Not later than one year	146 188	194 918
Later than one year and not later than five years	-	146 188
	146 188	**341 106**

The municipality entered into a three year operating lease for an office space. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern of the benefit obtained.

13. Provisions

Reconciliation of provisions - 2021

	Opening Balance	Utilised during the year	Total
Performance bonus	511 499	(511 499)	-

Reconciliation of provisions - 2020

	Opening Balance	Additions	Total
Performance bonus	-	511 499	511 499

It is the municipality's policy to pay senior managers performance bonus after the assessment of achievement of predetermined performance targets after the end of each financial year. Payment of performance bonuses depends on the availability of funds and is subject to the prerogative of the council to approve. The payment band ranges between 10% and 14% of the all-inclusive remuneration packages of the respective senior managers.

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

14. Employee benefit obligations

Defined benefit plan

The municipality offers employees and continuation members the opportunity of belonging to one of several medical aid schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical aid scheme. Upon a member's death-in-service or death-in retirement, the surviving dependents may continue membership of the medical scheme.

Members contribute according to tables of contribution rates which differentiate between them on the type and number of dependents. Some options also differentiate on the basis of income.

In-service members are entitled to a post-employment medical aid subsidy of 60% of the contribution payable. All current continuation members receive a 60% subsidy.

Upon a member's death-in-service or death-in-retirement, the serving dependents will continue to receive the same 60% subsidy.

The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries.

An actuarial valuation has been performed of the municipality's liability in respect of benefits to eligible retirees and retired employees of the municipality by ZAQ Consultants and Actuaries as at 30 June 2020.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

Post retirement medical aid plan

The post retirement medical plan is a defined benefit plan, of which the members are made up as follows:

	2021	2020
	119	130
	7	7
	126	**137**

The municipality make monthly contributions for health care arrangements to the following medical aid schemes.
- Bonitas medical scheme
- Hosmed medical scheme
- KeyHealth medical scheme
- LA Health medical scheme
- Samwumed medical scheme
- Fedhealth medical scheme

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

	2021	2020
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(27 031 000)	(25 737 000)
Present value of the defined benefit obligation-partly or wholly funded	(2 072 000)	(2 172 000)
Fair value of plan assets	(3 522 000)	(2 704 000)
Fair value of reimbursement rights	1 363 000	1 593 000
Other	1 052 000	2 018 999
	(30 210 000)	**(27 001 001)**
Non-current liabilities	(28 209 000)	(25 556 001)
Current liabilities	(2 001 000)	(1 445 000)
	(30 210 000)	**(27 001 001)**

Net expense recognised in the statement of financial performance

	2021	2020
Current service cost	737 000	724 000
Past service cost	1 780 000	1 346 000
Actuarial (gains) losses	(974 000)	(890 000)
Curtailment & settlement	(435 000)	(246 000)
	1 108 000	**934 000**

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Consumer Price Inflation (CPI) Difference between nominal and yield curves	Consumer Price Inflation (CPI) Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve	Yield curve

14. Employee benefit obligations (continued)

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

We used the nominal and real zero curves as at 22 June 2020 supplied by the JSE to determine our discount rates and CPI assumptions at each relevant time period. In the event that the valuation is performed prior to the effective valuation date, we use the prevailing yield at the time of performing our calculations.

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

	2021	2020	2019	2018	2017
Defined benefit obligation	14 990 000	13 882 000	12 948 000	10 790 000	10 057 000

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of withdrawal rates;
1% increase/decrease in the Normal Salary cost inflation

The effect of higher and lower mortality rates is illustrated by increasing and decreasing the mortality rates by 20%. The effect is as follows:

	-20% Mortality rate	Valuation Assumption	+20% Mortality rate
Total Accrued Liability	16 145 000	14 990 000	14 009 000
Current Service Cost	1 738 000	1 611 000	1 504 000
Interest Cost	758 000	701 000	651 000

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

	-1% Medical aid inflation	Valuation Assumption	+1% Medical aid inflation
Effect on the accrued liability	14 329 000	14 990 000	15 427 000
Effect on interest cost	1 538 000	1 611 000	1 660 000
Effect on service cost	651 000	701 000	730 000

Defined benefit plan

Councillors and employees belong to two defined retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed in June 2008. The Free State Municipal Pension Funds net assets that were available at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the funds was in sound financial position. The estimated liability of the funds is R1 576 689 000 which is adequately financed.

No new information was available at reporting date.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

Long service awards

An actuarial valuation of the municipality's liability in respect of benefits to eligible employees of the municipality was performed by ZAQ Consultants and Actuaries as at 30 June 2020. The provision is utilised when eligible employees of the municipality receive the value of the vested benefit. The actuatial valuation was perfromed in line with the requirements of GRAP 25.

	Female	Male	Total
Number of active employees	60	70	130

	Female	Male	Total
Salary weighted average years	45	44	89

	Female	Male	Total
Weighted average past service years	13	12	25

Amounts recognised in the statement of financial position are as follows:

	2021	2020
Opening balance	(13 149 001)	(12 789 000)
Net (increase)/decrease	(2 071 000)	(360 001)
	(15 220 001)	**(13 149 001)**

Amounts recognised in the statement of financial performance are as follows:

	2021	2020
Current service cost	1 335 000	1 448 000
Interest cost	1 742 000	1 358 000
Actuarial gains/(losses)	(78 000)	(1 461 336)
	2 999 000	**1 344 664**

Key assumptions used

Assumptions used at the reporting date:

	2021	2020
Discount rates used	Yield curve	Yield curve
Consumer Price Inflation (CPI)	Consumer Price Inflation (CPI) Difference between nominal and yield curves	Consumer Price Inflation (CPI) Difference between nominal and yield curves
Medical Aid Contribution Inflation	CPI + 1%	CPI + 1%
Net Effective Discount Rate	Yield curve	Yield curve

The basis used to determine the overall expected rate of return on assets is as follow:

GRAP 25 defines the determination of the Discount rate assumption to be used as follows: “The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

14. Employee benefit obligations (continued)

We use the nominal and zero curves as at 22 June 2020 supplied by the JSE to determine our discounted rates and CPI assumptions at each relevant time period.

	2021	2020	2019	2018	2017
Defined benefit obligation	15 220 000	13 149 000	12 948 000	10 790 000	10 057 000

Sensitivity analysis

In order to illustrate the sensitivity of our results to changes in certain key variables, we have recalculated the liabilities using the following assumptions:

20% increase/decrease in the assumed level of withdrawal rates;
1% increase/decrease in the Normal Salary cost inflation

We have illustrated the effect of higher and lower withdrawal rates by increasing and decreasing the withdrawal rates by 20%. The effect is as follows:

	-20% Withdrawal rate	Valuation Assumption	+20% Withdrawal rate
Total Accrued Liability	15 910 000	15 220 000	14 582 000
Current Service Cost	1 541 000	1 458 000	1 383 000
Interest Cost	1 763 000	1 685 000	1 613 000

We have tested the effect of a 1% p.a. change in the Normal Salary inflation assumption. The effect is as follows:

	-1% Normal salary inflation	Valuation Assumption	+1% Normal salary inflation
Effect on the accrued liability	14 393 000	13 149 000	1 612 400
Effect on interest cost	1 374 000	1 458 000	1 550 000
Effect on service cost	1 592 000	1 685 000	1 787 000

Defined benefit plan

Councillors and employees belong to two defined retirement funds which are the Free State Municipal Pension Fund and the Councillors Pension Fund governed by the Pension Fund Act of 1956. These funds are subject to triennial actuarial valuation.

The last valuation of the Free State Municipal Pension Fund was performed in June 2008. The Free State Municipal Pension Funds net assets that were available at 30 June 2008 was R 1 929 769 000.

The actuarial valuation determined that the funds was in sound financial position. The estimated liability of the funds is R1 576 689 000 which is adequately financed.

No new information was available at reporting date.

	2021	2020
Provision for long-service awards: Non-current portion	13 756 000	12 167 001
Provision for long-service awards: Current portion	1 464 000	982 000
Post retirement medical aid plan: Non-current portion	14 453 000	13 419 000
Post retirement medical aid plan: Current portion	537 000	463 000
	30 210 000	**27 031 001**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

14. Employee benefit obligations (continued)

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

	2021	2020
Opening balance	934 000	-
Net expense recognised in the statement of financial performance	1 108 000	934 000
	2 042 000	**934 000**

15. Revaluation reserve

The revaluation reserve is attributable to land and buildings, which are accounted for using the revaluation model.

	2021	2020
Opening balance	3 566 338	4 572 646
Change during the year	(1 006 307)	(1 006 308)
	2 560 031	**3 566 338**

16. Other income

	2021	2020
Tender Documents Sales	21 787	13 417
Entrance fees - HIV Awareness Concert	-	446 912
Recoveries from staff	338 119	100
Insurance Claims	-	653 940
Skills Development Levy	130 027	164 759
Third Party Refunds	179 883	243 392
Management Fees - Grants	110 300	115 850
Sale of Stalls - HIV/AIDS Awareness Concert	-	5 000
	780 116	**1 643 370**

17. Investment revenue

	2021	2020
Interest revenue		
Investment accounts	4 905 089	7 726 832

18. Government grants and subsidies

	2021	2020
Operating grants		
Equitable share	161 043 000	154 559 000
Rural Roads Asset Management Systems Grant	2 206 000	2 284 717
Financial Management Grant	1 000 000	1 000 000
Disaster Relief Grant	-	149 000
Energy Efficiency and Demand Management Grant	2 700 000	4 532 771
Cogta IT Assistance Grant	3 523 599	-
	170 472 599	**162 525 488**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

19. Employee related costs

Basic	68 533 053	60 312 984
Bonus	4 729 018	5 145 499
Medical aid - company contributions	7 811 557	6 895 307
UIF	317 751	295 437
Leave pay provision charge	1 848 377	4 206 758
Overtime payments	994 608	754 682
Long-service awards	1 335 000	1 448 000
Car allowance	13 585 334	12 477 879
Housing benefits and allowances	594 022	543 996
Shift Allowance	1 097 942	1 043 672
Group life insurance	49 695	80 638
Pension Fund Contribution	11 135 364	10 192 940
	112 031 721	**103 397 792**

Disclosure of remuneration of Senior Managers:

Remuneration of Municipal Manager: Ms. ML Molibeli

Basic Salary	1 031 229	913 089
Car / Travel Allowance	337 212	337 212
Contribution to UIF	1 813	1 785
Contribution to Medical Aid	45 344	42 516
Contribution to Pension Fund	186 343	149 285
Remote Allowance	36 977	-
	1 638 918	**1 443 887**

Remuneration of Acting Chief Financial Officer: Mr. J Reyneke
(Acting from 1 May 2018 up to 31 January 2020)

Basic Salary	-	427 749
Acting allowance	-	74 519
Car / Travel Allowance	-	206 054
Contribution to UIF	-	1 041
Contribution to Medical Aid	-	31 446
Contribution to Pension Fund	-	77 294
Other benefits	-	6 420
	-	**824 523**

Mr. J Reyneke was the Acting Chief Financial Officer as at 31 December 2019. For the period 01 May 2018 to 30 June 2019 he was not remunerated for his acting capacity as the Chief Financial Officer .

Remuneration of Acting Chief Financial Officer: Mrs. M Moeketsi
(Acting from 1 February 2020 up to 30 June 2020)

Basic Salary	-	305 535
Acting allowance	-	38 192
Car / Travel Allowance	-	142 587
Contribution to UIF	-	744
Contribution to Pension Fund	-	55 210
Other benefits	-	4 585
	-	**546 853**

Figures in Rand	2021	2020

19. Employee related costs (continued)

Remuneration of Chief Financial Officer: Ms NP Mdaka

Basic Salary	949 374	-
Car / Travel Allowance	226 693	-
Contribution to UIF	1 813	-
Contribution to Pension Fund	170 887	-
	1 348 767	**-**

Remuneration of Director - Environmental Health and Emergency Services: Mrs N Baleni

Basic Salary	860 352	712 444
Car / Travel Allowance	330 477	330 477
Contribution to UIF	1 813	1 785
Contribution to Medical Aid	36 929	34 657
Contribution to Pension Fund	149 423	113 278
	1 378 994	**1 192 641**

Remuneration of Director - Local Economic Development and Tourism: Ms. V Moloi (Resigned effective from 31 July 2019)

Basic Salary	-	60 139
Car / Travel Allowance	-	21 000
Contribution to UIF	-	223
Contribution to Medical Aid	-	4 216
Contribution to Pension Fund	-	10 203
	-	**95 781**

Remuneration of Director - Corporate Services: Dr. S Motingoe

Basic Salary	860 352	700 919
Car / Travel Allowance	330 477	356 235
Contribution to UIF	1 813	1 785
Contribution to Medical Aid	36 929	34 031
Contribution to Pension Fund	149 423	113 374
	1 378 994	**1 206 344**

The remuneration of senior managers and staff is within the upper limits of determinations by the Minister of Cooperative Governance & Traditional Affairs and SALGA Bargaining Council determinations respectively.

Remuneration of Director - Local Economic Development and Tourism: Mr MTaetsane

Basic Salary	949 374	-
Car / Travel Allowance	226 693	-
Contribution to UIF	1 813	-
Contribution to Pension Fund	170 887	-
	1 348 767	**-**

Figures in Rand	2021	2020

20. Remuneration of councillors

Executive Major	934 650	934 650
Seconded Councillor	188 652	223 956
Mayoral Committee Members	3 717 827	3 275 996
Speaker	432 208	432 208
Councillors	2 687 250	2 886 058
	7 960 587	**7 752 868**

In-kind benefits

The Executive Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the Council.

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

Executive Mayor

Cllr. M Moshodi

Basic Salary	606 162	609 899
Car Allowance	196 764	196 764
Cellphone Allowance	40 800	40 800
Social Contributions	90 924	87 187
	934 650	**934 650**

Speaker

Cllr. L Kubheka

Basic Salary	344 039	344 039
Car Allowance	88 169	88 169
	432 208	**432 208**

Cllr. MM Modikoe - MMC Corporate Services

Basic Salary	603 963	583 805
Car Allowance	-	21 487
Cellphone Allowance	40 800	40 800
Social Contributions	66 424	65 096
	711 187	**711 188**

Cllr. J Mareka - MMC: Local Economic Development and Tourism

Basic Salary	271 085	375 097
Car Allowance	84 139	12 420
	355 224	**387 517**

Cllr. M Mosia - MMC: Finance

Basic Salary	509 251	514 411
Car Allowance	161 136	155 976
Cellphone Allowance	40 800	40 800
	711 187	**711 187**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

20. Remuneration of councillors (continued)

Cllr. V De Beer - MMC: Environmental Health, Emergency and Public Safety

Basic Salary	295 729	298 665
Car Allowance	91 788	88 852
	387 517	**387 517**

Cllr. IM Magashule - MMC: Social Development (15 March 2019 to current)

Basic Salary	295 729	298 665
Car Allowance	91 788	88 852
	387 517	**387 517**

Cllr. G Nketu - MPAC Chairperson

Basic Salary	584 884	566 451
Car Allowance	-	20 482
Cellphone Allowance	40 800	40 800
Social Contributions	65 387	63 338
	691 071	**691 071**

Cllrs: KL Khunyeli, AR Majoe, F Scholtz, K Thulo, S Setungoane, AM Olifant, TL Soetsang, MS Motsapi, NP Mokodutlo (1/7/20 to 30/9/2020)

Basic Salary	1 819 037	1 971 387
Car Allowance	501 306	521 535
Cellphone Allowance	336 600	363 800
Social Contributions	30 308	29 336
	2 687 251	**2 886 058**

Seconded Councillors

Cllrs: S Tladi, LP Sotshiva, MJ Khunyeli, TA Motaung, SH Pittaway, C Serfontain, P Mohapi, MS Poho, K Mare, B Nnune, C Tete, MM Mofokeng, ME Mntuze

Basic Salary	188 652	223 956

21. Depreciation and amortisation

Buildings	1 516 369	1 496 297
Plant and machinery	188 999	229 453
Furniture and fixtures	508 126	445 200
Motor vehicles	930 756	1 043 099
IT equipment	401 784	431 721
Infrastructure	2 749 220	2 762 429
Leased assets	776 620	776 620
	7 071 874	7 184 819
Amortisation: Intangible assets		
Intangible assets	288 308	294 440
	7 360 182	**7 479 259**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

22. Impairment of assets

Stadium	-	33 553 327

An impairment loss of RNil (2020: R33 553 237) is recognised in surplus or deficit. This relates to the stadium that were impaired during 2020.

23. Finance costs

Finance leases	109 819	175 287
Other interest paid	411 188	-
Post retirement benefit	1 742 000	1 358 000
	2 263 007	**1 533 287**

24. Repairs and maintenance

Buildings	38 031	214 758
Equipment	397 843	376 731
Vehicles	582 309	542 211
IT Equipment	22 117	35 488
	1 040 300	**1 169 188**

25. Contracted services

Consultants	4 088 199	4 991 075
Legal fees	4 810 392	3 356 424
	8 898 591	**8 347 499**

26. Grants and subsidies paid

Other subsidies		
Rural Road Asset Management System	2 206 000	2 284 717
Energy Efficiency	2 700 000	4 622 170
	4 906 000	**6 906 887**

27. Loss on disposal of assets

Furniture & office equipment	44 603	139 197
Machinery & equipment	71 668	81
Computer equipment	30 159	28 739
	146 430	**168 017**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

28. General expenses

	2021	2020
Accommodation	448 047	1 130 566
Advertising	2 396 804	3 664 971
Air travel	26 688	207 765
Artists and Performance	305 600	-
Auditors remuneration	5 680 498	3 836 337
Bank charges	86 988	84 626
Bursaries employees	183 394	210 454
Bursaries non-employees	881 752	909 912
Car hire	22 109	75 428
Catering services	3 267 335	8 716 523
Cellphone costs	1 464 034	1 237 486
Cleaning	1 695 370	3 670 730
Conferences and seminars	110 363	202 076
Consumables	1 157 310	90 518
Donations	4 295 632	3 358 066
Employee wellness	87 670	39 915
Fuel and oil	1 594 024	1 696 333
Hire	869 610	-
Insurance	444 299	556 886
IT expenses	422 776	431 861
Motor vehicle licenses and registration	26 392	15 026
Municipal services	1 152 583	555 385
Plants, Flowers and Decorations	127 500	-
Postage and courier	965	5 378
Printing and stationery	4 913 397	884 413
Protective clothing	524 144	760 568
Public campaigns & awareness expenses	24 400	-
Remuneration of Sec.79 Committee Members	27 872	17 055
Rental premises	350 595	233 063
Stage and sound crew	63 289	-
Sampling and specimens	225 285	93 427
SDL	744 021	680 630
Security (Guarding of municipal property)	47 410	61 802
Software expenses	1 131 061	1 591 612
Sports and recreation	108 040	169 184
Staff recruitment costs	82 618	136 667
Subscriptions and membership fees	1 144 877	1 146 062
Telephone and fax	465 965	612 455
Toll-gate fees	22 093	-
Transport and freight	577 484	667 046
Travel and subsistence allowance	945 474	1 482 710
Vehicle tracking	49 766	58 812
Workmans compensation fund	426 423	379 881
	38 621 957	**39 671 629**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

29. Cash (used in) generated from operations

Deficit	(6 663 221)	(35 732 728)
Adjustments for:		
Depreciation and amortisation	7 360 182	7 479 259
Gain on sale of assets and liabilities	146 667	168 017
Actuarial gains/losses	(318 801)	(2 351 336)
Finance costs - Finance leases	130 184	175 287
Impairment deficit	-	33 553 327
Movements in operating lease assets and accruals	(7 965)	13 668
Movements in retirement benefit assets and liabilities	3 208 999	1 264 001
Movements in provisions	(511 499)	1 066 128
Other non-cash items	-	501 221
Changes in working capital:		
Receivables from exchange transactions	(1 734 235)	241 961
Other receivables from non-exchange transactions	(7 565 000)	(582 717)
Payables from exchange transactions	1 098 011	8 570 548
VAT	(2 047 763)	8 216 928
Unspent conditional grants and receipts	4 473 030	1 500 512
	(2 431 411)	**24 084 076**

30. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The municipality makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

31. Financial instruments disclosure

Categories of financial instruments

Financial assets

Trade and other receivables from exchange transactions	2 440 330	706 095
Receivables from non-exchange transactions	10 118 914	2 553 914
Cash and cash equivalents	97 988 085	107 315 274
	110 547 329	**110 575 283**

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

31. Financial instruments disclosure (continued)

Financial liabilities

Trade and other payables from exchange transactions	26 033 212	24 935 201
Employee benefit obligation	30 210 000	27 031 000
Finance lease obligation	850 155	1 619 135
	57 093 367	**24 935 201**

32. Commitments

Authorised capital expenditure

Supply and installation of video conference system	3 826 401	-

Authorised operational expenditure

Implementation of energy efficiency & demand management side programme	1 160 390	3 487 314
Implementation of the RRAMS	5 147 424	33 283
Specialised, technical and functional services for 2018/19, 2019/20 and 2020/21	4 835 161	5 627 148
Multi-functioning printing devices (Photocopy Machines)	793 809	1 678 297
	11 936 784	**10 826 042**

Total commitments

Authorised capital expenditure	3 826 401	-
Authorised operational expenditure	11 936 784	10 826 042
	15 763 185	**10 826 042**

No capital commitments exist for the municipality for the year.

33. Risk management Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Financial risk management

Liquidity risk

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

Notes to the Annual Financial Statements

33. Risk management Financial risk management (continued)

Credit risk

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

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

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

Financial instrument	2021	2020
Cash and Cash Equivalents	97 988 085	107 315 274
Receivables from exchange contracts	240 330	706 095

Market risk

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

34. Going concern

We draw attention to the fact that at 30 June 2021, the municipality conducted going concern assessment for the purpose of preparation of these financial statements. It is management's view that all factors relating to going concern assessment as covered in the report are sufficient and relevant to enable management to make an informed judgement with regard to preparation of the 2020/21 annual financial statements on a going concern basis.

The annual financial statements have therefore been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We, however draw attention to the fact that the financial statements include the recognition of the stadium as a capital asset. This asset is recognised in the financial statements of the municipality, pending uncertainty with regards to ownership, control and the capacity of the municipality to control such asset. This may result in future derecognition of the asset from the financial statements of the municipality.

35. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

	2021	2020
Current year	1 138 183	1 112 517
Amount paid - current year	(1 138 183)	(1 112 517)
	-	-

Audit fees

	2021	2020
Current year	5 677 203	3 836 337
Amount paid - current year	(5 677 203)	(3 836 337)
	-	-

Figures in Rand	2021	2020

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

PAYE, SDL and UIF

Current year	23 987 288	21 455 241
Amount paid - current year	(23 987 288)	(21 455 241)
	-	-

Pension and Medical Aid Deductions

Current year	26 354 792	25 479 573
Amount paid - current year	(26 354 792)	(25 479 573)
	-	-

VAT

VAT receivable	2 172 374	124 611

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

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

Figures in Rand	2021	2020

36. Contingencies

36.1 Contingent liabilities

The municipality have the following contingent liabilities:

FDDM / SAMWU obo P Setseli - Labour case	4 367 057	3 000 000
FDDM / Nyumba Mobile Homes and Offices	3 707 863	2 500 000
FDDM / Khululekani Security	310 911	900 000
FDDM / Du Plooy and another and 2 others	2 015 000	2 800 000
FDDM / Julius Moloi and 9 others	2 019 615	1 500 000
FDDM / L Rabodile and 3 others	-	2 500 000
	12 420 446	**13 200 000**

Litigation is in the process against the municipality relating to various matters as detailed below with a potential liability of R12 420 446 (2020: R 13 200 000) as detailed above. The municipality's lawyers and management consider the likelihood of the action against the municipality being successful as likely and as such the litigation is proceeded with.

Details are as follows:

1. SAMWU obo P.Setsheli//FDDM (Case Number 0 JR 2555/201)
Applicant (Setheli) approached the Labour Court after an unsuccessful bid at the SALBC with ruled in favour of FDDM. She took the decision on review the outcomes, the matter currently pending before the Johannesburg Labour Court

2. Nyumba Mobile Homes and Offices // FDDM (Case Number - 1759/2020)
A claim for breach of contract in respect of outsourced services by the contractor- Bloemfontein High Court - Free State Division
3. Du Plooy & Another // FDDM (Case Number - 2965/2018)
Mandate of Peyper Attorneys terminated, newly appointed Attorneys is Ngwane Attorneys with the following details: Claim in respect of death as a result of potholes and poor signage- Bloemfontein High Court - Free State Division.
4. Khululekani Security Services // FDDM (Case Number F16873)
A claim for payment of security services rendered at an HIV/AIDS Benefit Concert by the company allegedly owed by FDDM- Bloemfontein High Court- Free State Division

36.2 Contingent assets

The municipality have the following contingent assets:	**Claims to recover**	**Legal fees**
FDDM // A.M Mini Case number: 1836/2021	120 187	2 500 000
FDDM//G. Mashiyi Case number:1835/2021	133 890	2 500 000
FDDM//IV Moloi Case Number: 504/2021	880 841	2 500 000
FDDM // M A Olifant Case Number: 504/2021	4 976 679	2 500 000
	6 111 597	**10 000 000**

1.FDDM // A.M Mini	Claim for recovery of irregular expenditure
2. FDDM // G. Mashiyi	Claim for recovery of irregular expenditure
3. FDDM // IV Moloi	Claim for recovery of irregular expenditure
4. FDDM // M A Olifant	Claim for recovery of irregular expenditure

37. Related parties

Relationships	
Executive Council Members	Refer to note 20
Members of key management	Refer to note 19

The municipality did not enter into any transactions with related parties outside of the items presented in the notes referenced above.

38. Prior-year adjustments

Certain comparative figures have been restated.

Restatement of certain accounts were made in order to correct prior period errors and where appropriate to also align reporting of transactions according to their nature rather than function.

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

Statement of financial position

2020

	Note	As previously reported	Correction of error	Restated
Receivables from non-exchange	Error 1	7 190 275	(6 301 361)	888 914
Receivables from exchange	Error 3	706 094	1 665 000	2 371 094
VAT receivable	Error 4	8 035 308	(7 910 696)	124 612
Accumulated surplus	Error 2	(145 911 876)	(109 493)	(146 021 369)
		41 487 678	**(12 656 550)**	**28 831 128**

Statement of financial performance

2020

	Note	As previously reported	Correction of error	Restated
Impairment loss	Error 2	33 443 830	109 493	33 553 323
Employee related costs	Error 5	104 078 424	(680 632)	103 397 792
Contracted Services	Error 5	8 348 921	(1 422)	8 347 499
General Expenses	Error 5	38 929 979	682 052	39 612 031
Surplus for the year		**186 980 559**	**109 491**	**187 090 050**

38. Prior-year adjustments (continued)

Cash flow statement

2020

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Cash receipts from government grants		164 026 000	-	164 026 000
Other cash receipts	Error 6	1 962 072	(318 702)	1 643 370
Payments to suppliers for goods and services	Error 8	(51 457 592)	12 269 416	(39 188 176)
Payments to and on behalf of employees	Error 9	(107 892 467)	(3 938 823)	(111 831 290)
Other payments		(675 708)	-	(675 708)
Interest received	Error 7	7 840 571	(113 739)	7 726 832
VAT refunds received		3 889 503	-	3 889 503
		17 692 379	**7 898 152**	**25 590 531**
Cash flow from investing activities				
Purchase of property, plant and equipment		(1 662 657)	-	(1 662 657)
Cash flow from financing activities				
Finance charges paid		(173 974)	-	(173 974)
Cash and cash equivalents at the end of the year	Error 10	108 834 274	(1 519 000)	107 315 274
		108 660 300	**(1 519 000)**	**107 141 300**

Errors

Error 1

Retirement benefit obligations - a calculation error of R 30 000 were identified and subsequently corrected.

	2021	2020
Statement of Financial Position		
Decrease in Receivable from non-exchange	-	(6 301 361)
Increase in accumulated surplus	-	6 301 361
	-	**-**

Error 2

Impairment loss R109 493 - Two vehicles were duplicated on the asset register and were cancelled on the register.

	2021	2020
Statement of Financial Performance		
Increase in impairment loss	-	109 493
Decrease in accumulated surplus	-	(109 493)
	-	**-**

38. Prior-year adjustments (continued)

Error 3

A calculation error occured which affected the total amount of receivables from exchanges transactions. Comparative figures have been restated as follows following a detailed analysis and calculations.

	2021	2020
Statement of Financial Position		
Increase in receivable from exchange transactions	-	1 665 000
Decrease in accumulated surplus	-	(1 665 000)
	-	-

Error 4

A calculation and disclosure error occured which affected the accurate disclosure of the VAT receivable amount. Comparative figures have been restated as follows.

	2021	2020
Statement of Financial Position		
Decrease in VAT receivable	-	(7 910 696)
Increase in accumulated surplus	-	7 910 696
	-	-

Error 5

A reconcilation error occured in accounting for employee related costs and contracted services which resulted in understatement of general expenses in the financial statements. Comparative figures have been restated as follows.

	2021	2020
Statement of Financial Performance		
Decrease in employee cost	-	(680 052)
Decrease in contracted services	-	(1 422)
Increase in general expense	-	681 474
	-	-

Error 6

A reconciliation error occured in accounting for net cash flows from operating activities which resulted in overstatement of cash flows from operating activities in the financial statements. Comparative figures have been restated as follows..

	2021	2020
Statement of Cash Flows from Operating Activities		
Decrease net cash flows from operating activities(Other Receipts)	-	(318 702)
Decrease in accumulated surplus	-	318 702
	-	-

Error 7

A reconciliation error occured in accounting for net cash flows from operating activities which resulted in overstatement of cash flows from operating activities in the financial statements. Comparative figures have been restated as follows.

	2021	2020
Statement of Cash Flows from Operating Activities		
Decrease net cash flows from operating activities(Interest income)	-	(113 739)
Decrease in accumulated surplus	-	113 739
	-	-

Error 8

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

38. Prior-year adjustments (continued)

A reconciliation error occured in accounting for net cash flows from operating activities which resulted in overstatement of cash flows from operating activities in the financial statements. Comparative figures have been restated as follows.

Statement of Cash Flows from Operating Activities		
Decrease net cash flows from operating activities(Suppliers)	-	(12 269 416)
Decrease in accumulated surplus	-	12 269 416
	-	**-**

Error 9

A reconciliation error occured in accounting for net cash flows from operating activities which resulted in overstatement of cash flows from operating activities in the financial statements. Comparative figures have been restated as follows.

Statement of Cash Flows from Operating Activities		
Decrease net cash flows from operating activities (Employee costs	-	(3 938 823)
Decrease in accumulated surplus	-	3 938 823
	-	**-**

Error 10

A reconciliation error occured in accounting for net cash flows from net increase in cash and cash equivalent which resulted in overstatement of net increase in cash and cash equivalent in the financial statements. Comparative figures have been restated as follows.

Statement of Cash Flows -Net increase in cash and cash equvalent		
Decrease net cash and cash equivalents at the beginning of the year	-	(1 519 000)
Decrease in accumulated surplus	-	1 519 000
	-	**-**

39. Unauthorised expenditure

Opening balance as previously reported	11 659 811	6 434 413
Opening balance as restated	**11 659 811**	**6 434 413**
Add: Expenditure identified - current	10 224 374	5 225 398
Add: Unauthorise expenditure prior year	36 355 465	-
Less: Approved/condoned/authorised by council	(11 938 469)	-
Closing balance	**46 301 181**	**11 659 811**

Unauthorised expenditure: Budget overspending – per municipal department:

Municipal Manager's office	-	891
Information Technology	-	726 403
Corporate Support Services	3 928 787	13 039
Emergency services	-	61 272
Finance	4 481 798	2 672 952
LED & Tourism	1 813 789	-
Capital expenditure	-	1 750 841
	10 224 374	**5 225 398**

Recoverability of unauthorised expenditure

Council resolved as per item 51 of the council meeting held on 30 July 2021 that the unauthorised expenditure of R 11 938 46 be condoned.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

40. Fruitless and wasteful expenditure

Opening balance as previously reported	173 578	158 928
Opening balance as restated	**173 578**	**158 928**
Add: Expenditure identified - current	-	14 650
Less: Amount written off - prior period	(86 826)	-
Closing balance	**86 752**	**173 578**

Council resolved as per item 20B of the council meeting held on 30 July 2021 that the fruitless and wasteful expenditure of R 86 826 be written off.

41. Irregular expenditure

Opening balance as previously reported	56 569 918	41 799 406
Opening balance as restated	**56 569 918**	**41 799 406**
Add: Irregular Expenditure - current	27 734 003	14 770 512
Less: Amount written off - prior period	(54 687 701)	-
Closing balance	**29 616 220**	**56 569 918**

Analysis of irregular expenditure per classification is as follows:

Expired contracts	9 646 274	862 088
Procurement through single or no quotation	8 281 606	4 919 181
No contract in place	-	1 747 121
No final award approved	-	245 945
Evaluation criteria not consistent with one specified in bid	2 105 934	5 269 902
Possible tender splitting	-	199 875
Reasons for deviations not justified	192 124	1 467 588
Evaluation criteria not applied	-	58 812
Tax matter not in order	42 500	-
Non declaration of connected person	475 952	-
Non declaration - inservice of state	43 800	-
Competitive bidding not followed	421 771	-
Municipal rates and taxes not attached	3 523 599	-
Payments made to existing irregular contracts	3 000 442	-
	27 734 002	**14 770 512**

Council resolved as per item 20B of the council meeting held on 30 July 2021 that the irregular expenditure of R 54 687 701 be written off.

Cases under investigation

There are no cases under investigation.

“The full extent of irregular expenditure is still in the process of being determined”

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

42. Deviation from supply chain management regulations

In terms of regulation 36 of Municipal Supply Chain Management Regulations, the Accounting Officer may dispense with the official procurement process established by the policy and procure any required goods or services through any convenient process, including ratification of minor technical breaches of procurement processes by an official or committee acting in terms of delegated powers or duties.

The information below provides details of categories of deviations approved by the Accounting Officer as provided for in terms of regulation 36.

Emergency	380 000	3 188 897
Urgent	750 204	3 006 403
Other exceptional cases	6 033 656	4 340 062
	7 163 860	**10 535 362**

Deviation not yet reported to the counsel: R 1 022 899,36

43. Analysis of material differences between budget and actual amounts

Differences between budget and actual amounts basis of preparation and presentation

1 Other own revenue - The actual amount is materially more than the budgeted amount due to insurance pay out for vehicle stolen.

2 Investment revenue - Actual less than the budgeted amount due to lower than projected interest as a results of a less than anticipated capital investment.

3 Transfers and subsidies - The actual amount is materially less than the budgeted amount due to the fact that the treasury withheld (Mafube MIG grant).

4 Employee related costs - Year to date actual less than the budgeted amount, due to mainly the fact that vacant senior management positions were not filled earlier than anticipated.

5 Remuneration of councillors - Year to date actual is less than the budgeted amount due to less than initially planned travel claims by councillors.

6 Depreciation & amortisation - actual expenditure marginally higher than the budgeted amount due to lower projected estimates due to infrastructure asset that was not transferred to the relevant department.

7 Impairment loss - No budget provision made in the budget statement of financial performance.

8 Finance charges -actual expenditure marginally higher than the budgeted amount due to lower projected estimates on retirement benefit obligation.

9 Repairs and maintenance - actual expenditure marginally less than the budgeted amount due to lower projected estimates due less travelling by municipal vehicles.

10 Materials & bulk purchases - Budgeted amount materially higher than actual amount due to the fact that transactions which could potentially relate to materials and bulk purchases are catered for under repairs and maintenance and other expenditure line item.

11 Transfers and grants - actual expenditure materially lower than the budgeted amount due to implementation of Energy Efficiency & Demand Side Management Grant which was not initially budgeted for and the impact of its accelerated implementation not considered during adjustments in anticipation that COVID 19 would impact of its implementation.

12 General expenses - Budgeted amount higher than actual amount mainly due to increase in adjustment amount that was undertaken in anticipation of potential need to provide social relief due to COVID 19 outbreak.

13 Loss on disposal - no provision for write-offs initially made in the budget.

14 Actuarial gains - no provision for actuarial gains initially made in the budget.

43. Analysis of material differences between budget and actual amounts (continued)

15 Trade and other receivables from exchange transactions - No budget provision made in the budget statement of financial position.

16 Receivables from non-exchange transactions - No budget provision made in the budget statement of financial position.

17 VAT Receivable - No budget provision made in the budget statement of financial position.

18 Cash and cash equivalents - No budget provision made in the budget statement of financial position.

19 Property, plant and equipment - Error in under provision of existing PPE in the budgeted statement of financial position.

20 Intangible assets - Error in under provision of existing intangible assets in the budget statement of financial position.

21 Finance lease obligation (non-current) - No budget provision made in the budget statement of financial position.

22 Operating lease liabilities (current) - No budget provision made in the budget statement of financial position.

23 Trade and other payables from exchange transactions - No budget provision made in the budget statement of financial position.

24 Retirement benefit obligations - No budget provision made in the budget statement of financial position.

25 Payables from non-exchange transactions - No budget provision made in the budget statement of financial position

26 Provisions - No budget provision made in the budget statement of financial position.

27 Revaluation reserve - No budget provision made in the budget statement of financial position.

28 Accumulated surplus / (deficit) - Insufficient budget provision made in the budget statement of financial position.

29 Cash receipts from government grants - There differences

30 Investment received - Budgeted amount higher than actual mount due to accrual portion of interest receivable (non-cash flow) budgeted for as part of actual interest anticipated to be received.

31 Other cash receipts - The actual amount is materially more than the budgeted amount due to refunds and insurance claims received and staff recoveries.

32 Employee cost - Year to date actual less than the budgeted amount, due to mainly the fact that vacant senior management positions were not filled earlier than anticipated.

33 Payments to suppliers - Budgeted amount higher than actual amount mainly due to increase in adjustment amount that was undertaken in anticipation of potential need to provide social relief due to COVID 19 outbreak and due to the fact that vacant senior management positions were not filled earlier than anticipated.

34 Finance charges - No budget provision initially made for finance charges on finance leases.

35 Purchase of property, plant and equipment - actual expenditure less than the budgeted amount due to change in acquisitions plans for certain types of vehicles.

36 Net increase/(decrease) in cash and cash equivalents - insufficient budget provision made due to generally inadequate provision for anticipated in and out flow of cash.

37 Cash and cash equivalents at the beginning of the year - insufficient budget provision made due to generally inadequate provision for anticipated in and out flow of cash.

Notes to the Annual Financial Statements

Figures in Rand	2021	2020

44. Segment information

Municipality does not meet the requirements of GRAP 18 Segment reporting. The departments within municipality does not have separate financial information and they don't generate thier own revenue. Finance department is responsible for all finances of these departments.

Reportable Segments for the year ended 30 June 2021