



Dr. Beyers Naudé

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ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

AUDITED

Dr Beyers Naude Local Municipality

(Registration number: EC101)

Annual Financial Statements for the year ended 30 June 2021

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ASB	Accounting Standards Board
MPAC	Municipal Public Accounts Committee
PAYE	Pay As You Earn
SALGA	South African Local Government Association
GRAP	Generally Recognised Accounting Practice
SARS	South African Revenue Services
SDL	Skills Development Levy
IAS	International Accounting Standards
UIF	Unemployment Insurance Fund
VAT	Value Added Tax
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
mSCOA	Municipal Standard Chart of Accounts

Dr Beyers Naude Local Municipality

(Registration number: EC101)

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GENERAL INFORMATION

Legal form of entity	The entity functions as local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.	
Nature of business and activities	Dr Beyers Naude Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act No. 117 of 1998). The Municipality's operations are governed by: Municipal Finance Management Act 56 of 2003, Municipal Structure Act 117 of 1998, Municipal Systems Act 32 of 2000 and various other Acts and regulations.	
Mayoral committee		
Executive Mayor	Cllr D.W.S De Vos	
Speaker	Cllr T.L Nonnies	
Executive Committee	Cllr P.W Koeberg Cllr E.A Ruiters	Cllr N.P Vanda Cllr E.L Loock
Councillors	Cllr D Williams Cllr R.L Smith Cllr W.Z Le Grange Cllr A. Mboneni Cllr E.A Carolus Cllr A Booysen Cllr H Booysen Cllr B.W Seekoei Cllr W.J Safers (MPAC Chair Cllr A.L Nortje Cllr K Hoffman	Cllr X.N Galada Cllr G.C Mackelina Cllr T.M Tshona Cllr R.B Jacobs Cllr P Bees Cllr L.L Langeveldt Cllr A Arries Cllr D.J Bezuidenhout Cllr E.V.R Rossouw Cllr J.J Williams
Grading of local authority	Grade Three (3)	
Accounting Officer	Dr. E.M Rankwana	
Acting Chief Finance Officer	D. Thorne	
Registered office	PO Box 71 Graaff Reinet 6280	
Business address	12 - 14 Caledon Street Graaff Reinet 6280	
Auditors	Office of the Auditor General (East London) 69 Frere Road Vincent East London	
Primary banker	Standard Bank	

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ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

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

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

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

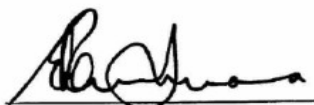
The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting 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 2021 and he is satisfied that the municipality has access to adequate resources to continue in operational existence for the foreseeable future.

The councillors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a).

The annual financial statements set out on pages 5 to 82, which have been prepared on the going concern basis, were approved by the accounting officer on 31 AUGUST 2021 and were signed by him:



Dr E.M RANKWANA
MUNICIPAL MANAGER
31 AUGUST 2021

DR BEYERS NAUDE MUNICIPALITY

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STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2021

Figures in Rand	Notes	2021	2020 Restated*
ASSETS			
Current Assets			
VAT Receivable	3	9 832 247	4 669 731
Inventories	4	3 562 051	4 199 631
Other Receivables	5	6 312 535	5 051 390
Receivables from Non-exchange Transactions	6	3 728 445	3 644 772
Receivables from Exchange Transactions	7	17 128 869	13 840 782
Cash and Cash Equivalents	8	2 634 445	2 277 537
		43 198 591	33 683 843
Non-Current Assets			
Investment Property	9	27 416 862	27 458 228
Property, Plant and Equipment	10	1 071 271 265	1 090 930 606
Intangible Assets	11	8 724	31 447
Heritage Assets	12	11 097 671	11 097 671
		1 109 794 521	1 129 517 951
Total Assets		1 152 993 113	1 163 201 794
LIABILITIES			
Current Liabilities			
Other financial liabilities	13	10 240 951	11 755 461
Payables from Exchange Transactions	14	349 161 017	248 072 592
Payables from Non-exchange Transactions	15	4 537 324	2 915 504
Consumer Deposits	16	3 576 776	3 454 715
Unspent Conditional Grants and Receipts	17	-	2 079 868
Provisions	18	65 000	9 834 320
Employee benefit obligation	19	2 626 746	2 869 000
		370 207 814	280 981 460
Non-Current Liabilities			
Other financial liabilities	13	7 373 669	-
Provisions	18	18 570 200	21 666 000
Employee benefit obligation	19	46 732 653	43 834 000
		72 676 522	65 500 000
Total Liabilities		442 884 336	346 481 460
Net Assets		710 108 777	816 720 335
NET ASSETS			
Accumulated Surplus		710 108 777	816 720 335

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand	Notes	2021	2020 Restated*
REVENUE			
Revenue from Exchange Transactions			
Service charges	20	184 078 559	172 245 308
Agency services	21	2 372 921	2 114 561
Interest earned	22	9 044 010	5 705 111
Interest earned - Investments	22	168 665	441 627
Rental of facilities and equipment	23	810 706	702 347
Other revenue	24	2 816 215	1 537 733
Licences and permits	25	932 026	309 585
Gains on disposal of assets and liabilities	38	-	6 714 891
		200 223 103	189 771 164
Revenue from Non-exchange Transactions			
Taxation revenue			
Property Rates	26	36 899 140	34 909 280
Transfer revenue			
Fines, penalties and forfeits	27	79 611	30 627
Government grants and subsidies	28	159 834 547	166 267 563
Public contributions and donations	29	2 238 225	1 049 503
		199 051 523	202 256 973
Total Revenue		399 274 626	392 028 137
EXPENDITURE			
Employee related costs	30	(170 943 455)	(164 630 936)
Remuneration of councillors	31	(10 189 108)	(9 649 468)
Debt impairment	32	(45 440 053)	(47 249 533)
Depreciation and amortisation	33	(59 728 518)	(54 351 634)
Finance cost	34	(22 131 990)	(13 224 161)
Bulk purchases	35	(99 081 752)	(93 023 855)
Operational Cost	36	(43 362 884)	(45 940 907)
Contracted Services	37	(50 934 502)	(25 073 650)
Operating Leases	39	(4 158 029)	(7 619 967)
Loss on disposal of assets and liabilities	38	(1 271 495)	-
Total Expenditure		(507 241 785)	(460 764 112)
Deficit before actuarial gains and release from obligation		(107 967 159)	(68 735 975)
Actuarial gain and release from obligation	40	1 355 601	8 540 000
DEFICIT FOR THE YEAR		(106 611 558)	(60 195 975)

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand	Accumulated Surplus	Total of Net Assets
Opening balance as previously reported	917 785 137	917 785 137
Adjustments for correction of errors		
Receivables from exchange transactions	(3 899 001)	(3 899 001)
Investment Property	(36 904 938)	(36 904 938)
Property, Plant and Equipment	(94 602)	(94 602)
Payables from Exchange Transactions	(1 423 692)	(1 423 692)
Unspent conditional grants (DWA and RRU)	1 586 724	1 586 724
Heritage assets	(168 790)	(168 790)
Payables from exchange transactions	35 471	35 471
Balance at 01 July 2019 as restated*	876 916 310	876 916 310
Changes in net assets		
Deficit for the year	(60 195 975)	(60 195 975)
Balance at 01 July 2020 as restated*	816 720 335	816 720 335
Changes in net assets		
Deficit for the year	(106 611 558)	(106 611 558)
Balance at 30 June 2021	710 108 777	710 108 777

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CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand		2021	2020 Restated*
Cash flow from operating activities			
Receipts			
Rates and services		184 509 609	174 366 531
Government grants and subsidies		157 754 679	144 209 668
Interest - investment		168 665	441 627
		342 432 953	319 017 826
Payments			
Employee cost		(169 874 222)	(156 276 496)
Suppliers		(136 784 403)	(124 374 411)
		(306 658 625)	(280 650 907)
Net cash flow from operating activities	41	35 774 328	38 366 919
Cash flow from investing activities			
Purchase of property, plant and equipment	10	(41 557 663)	(59 816 565)
Proceeds from sale of property, plant and equipment		281 084	7 658 820
Net cash flow from investing activities		(41 276 579)	(52 157 745)
Cash flow from financing activities			
Movement in financial liabilities		5 859 159	(8 244 539)
Net cash flow from financing activities		5 859 159	(8 244 539)
Net increase/(decrease) in cash and cash equivalents		356 908	(22 035 365)
Cash and cash equivalents at the beginning of the year		2 277 537	24 312 902
Cash and cash equivalents at the end of the year	8	2 634 445	2 277 537

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand

The municipality prepares and presents the financial statements under the accrual basis of accounting and therefore similarly applies accrual basis of accounting in the presentation of segment information.

For management purposes, the municipality is organised and operates in three key functional segments (or business units). To this end, management monitors the operating results of these business units for the purpose of making decisions about resource allocations and assessment of performance. Revenues and expenditures relating to these business units are allocated at a transactional level. Costs relating to the governance and administration of the municipality are not allocated to these business units.

The three key business units comprise of:

- Community and public safety which includes community and social services, sport and recreation, public safety, health and housing services;
- Economic and environmental services which includes planning and development, road transport and environmental protection services;
- Trading services which includes energy sources, water management, waste water management and waste management services;

The grouping of these segments is consistent with the functional classification of government activities which considers the nature of the services, the beneficiaries of such services and the fees charged for the services rendered (if any).

Management does monitor performance geographically but does not at present have reliable separate financial information for decision making purposes. Processes have been put in place to generate this information at a transaction level and in the most cost effective manner.

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand

Segment Revenue	30 JUNE 2021			Unallocated	TOTAL
	Community and Public Safety	Economic and Environment	Trading Services		
External revenue from non-exchange transactions	4 918 000	26 508 611	14 408 541	153 216 371	199 051 523
External revenue from exchange transactions	519 379	3 983 647	213 208 854	(26 532 788)	191 179 093
Interest earned	-	-	-	9 044 010	9 044 010
	5 437 379	30 492 258	227 617 396	135 727 593	399 274 626
Segment Expenses					
Other segment expenses	-	-	(124 810 886)	(31 171 521)	(155 982 407)
Employee related cost	(28 228 999)	(29 925 517)	(48 677 204)	(64 111 735)	(170 943 455)
Depreciation and amortisation	(525 419)	(8 566 107)	(47 394 590)	(3 242 402)	(59 728 518)
Finance cost	-	-	-	(22 131 990)	(22 131 990)
Contracted Services	(3 280 169)	-	(43 683 574)	(3 970 759)	(50 934 502)
Operational Cost	(5 049 492)	(5 126 131)	(29 111 633)	(4 075 628)	(43 362 884)
Operating Leases	-	-	-	(4 158 029)	(4 158 029)
	(37 084 079)	(43 617 755)	(293 677 886)	(132 862 065)	(507 241 785)
Operating deficit	(31 646 700)	(13 125 497)	(66 060 491)	2 865 529	(107 967 159)
Other information					
Additions to non-current assets	378 623	3 575 973	35 583 567	2 019 499	41 557 662

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REPORTABLE SEGMENTS FOR THE YEAR ENDED 30 JUNE 2021

Figures in Rand

Segment Revenue	30 JUNE 2020			Unallocated	TOTAL
	Community and Public Safety	Economic and Environment	Trading Services		
External revenue from non-exchange transactions	4 287 597	11 707 663	54 992 818	131 268 894	202 256 972
External revenue from exchange transactions	175 607	3 021 058	190 958 235	(10 088 847)	184 066 053
Interest earned	-	-	-	5 705 111	5 705 111
	4 463 204	14 728 721	245 951 054	126 885 157	392 028 137
Segment Expenses					
Other segment expenses	-	-	(111 401 042)	(38 521 814)	(149 922 856)
Employee related cost	(27 503 599)	(27 203 639)	(47 614 672)	(62 309 027)	(164 630 936)
Depreciation and amortisation	-	-	(36 726 844)	(17 624 790)	(54 351 634)
Finance cost	-	-	-	(13 224 161)	(13 224 161)
Contracted Services	(1 662 643)	-	(15 306 233)	(8 104 773)	(25 073 650)
Operational Cost	(3 596 909)	(4 168 492)	(18 382 228)	(19 793 278)	(45 940 907)
Operating Leases		(61 814)	(12 189)	(7 545 965)	(7 619 967)
	(32 763 150)	(31 433 944)	(229 443 209)	(167 123 807)	(460 764 111)
Operating deficit	(28 299 946)	(16 705 223)	16 507 845	(40 238 649)	(68 735 974)
Other information					
Additions to non-current assets	-	4 337 087	37 898 275	17 312 919	59 548 281

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Budget on cash basis							
Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%	Ref
Statement of financial performance							
Revenue from Exchange Transactions							
Service charges	251 532 294	(36 005 000)	215 527 294	184 078 559	31 448 735	15%	N1
Agency services	3 512 348	-	3 512 348	2 372 921	1 139 427	32%	N2
Interest earned	8 165 626	-	8 165 626	9 044 010	(878 384)	-11%	N3
Interest earned - Investments	3 660 337	-	3 660 337	168 665	3 491 672	95%	N4
Rental of facilities and equipmen	1 014 254	-	1 014 254	810 706	203 548	20%	N5
Other revenue	2 638 237	(5 000)	2 633 237	2 816 215	(182 978)	-7%	N6
Licences and permits	2 200 811	-	2 200 811	932 026	1 268 785	58%	N7
Gains/(Loss) on disposal of assets and liabilities	10 800 108	187 236 000	198 036 108	-	198 036 108	100%	N8
	283 524 015	151 226 000	434 750 015	200 223 103	234 526 912		
Revenue from Non-exchange Transactions							
Taxation revenue							
Property Rates	51 603 265	(3 200 000)	48 403 265	36 899 140	11 504 125	24%	N9
Transfer revenue							
Fines, penalties and forfeits	32 400	-	32 400	79 611	(47 211)	-146%	
Government grants and subsidies	165 907 815	(5 380 424)	160 527 391	159 834 547	692 844	0%	N10
Public contributions and donations	-	-	-	2 238 225	(2 238 225)	100%	N11
	217 543 480	(8 580 424)	208 963 056	199 051 523	9 911 533		
Total Revenue	501 067 495	142 645 576	643 713 071	399 274 626	244 438 445		
EXPENDITURE							
Employee related costs	170 586 441	2 234 750	172 821 191	170 943 455	1 877 736	1%	N12
Remuneration of councillors	10 103 806	-	10 103 806	10 189 108	(85 302)	-1%	N13
Debt impairment	10 146 111	-	10 146 111	45 440 053	(35 293 942)	-348%	N14
Depreciation and amortisation	46 093 994	(850 905)	45 243 089	59 728 518	(14 485 429)	-32%	N15
Finance cost	4 213 773	-	4 213 773	22 131 990	(17 918 217)	-425%	N16
Bulk purchases	109 124 917	-	109 124 917	99 081 752	10 043 165	9%	N17
Contracted Services	8 148 672	50 981 851	38 609 146	43 362 884	(4 753 738)	-12%	N18
Operational Cost	77 916 128	(12 978 189)	85 459 316	50 934 502	34 524 815	40%	N19
Operating Leases	376 139	4 822 949	5 199 088	4 158 029	1 041 059	20%	N20
Gains/(Loss) on disposal of assets and liabilities	-	-	-	1 271 495	(1 271 495)	100%	N8
Total Expenditure	436 709 981	44 210 456	480 920 437	507 241 785	(26 321 348)		
Operating deficit	64 357 514	98 435 120	162 792 634	(107 967 159)	270 759 793		

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Budget on cash basis						
Figures in rand	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Variance between final and approved	%
Statement of financial position						
Current Assets						
Inventories	6 300 000	-	6 300 000	3 562 051	2 737 949	43% N21
Other Receivables	7 200 000	-	7 200 000	16 144 782	(8 944 782)	-124% N22
Consumer Debtors	61 244 435	-	61 244 435	20 857 314	40 387 121	66% N23
Cash and Cash Equivalents	463 288 063	200 719 165	664 007 228	2 634 445	661 372 783	100% N24
	538 032 498	200 719 165	738 751 663	43 198 591	695 553 072	
Non Current Assets						
Property, Plant and Equipment	1 195 982 303	(15 140 000)	1 180 842 303	1 109 794 521	71 047 782	6% N25
	1 195 982 303	(15 140 000)	1 180 842 303	1 109 794 521	71 047 782	
TOTAL ASSETS	1 734 014 801	185 579 165	1 919 593 966	1 152 993 113	766 600 853	
Current Liabilities						
Borrowings	(4 213 773)	-	(4 213 773)	10 240 951	(14 454 724)	343% N26
Trade and other payables	140 315 806	-	140 315 806	353 698 341	(213 382 535)	-152% N27
Consumer Deposits	3 316 576	-	3 316 576	3 576 776	(260 200)	-8% N28
Provisions	7 031 436	-	7 031 436	2 691 746	4 339 690	62% N29
Total Current Liabilities	146 450 045	-	146 450 045	370 207 814	(223 757 769)	
Non Current Liabilities						
Borrowings	10 000 000	-	10 000 000	7 373 669	2 626 331	26% N26
Provisions	35 002 542	-	35 002 542	65 302 853	(30 300 311)	-87% N30
Total Non Current Liabilities	45 002 542	-	45 002 542	72 676 522	(27 673 980)	
TOTAL LIABILITIES	191 452 587	-	191 452 587	442 884 336	(251 431 749)	
NET ASSETS	1 542 562 214	185 579 165	1 728 141 379	710 108 776	1 018 032 603	

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Performance

- N1** The municipality has been experiencing severe drought during the financial year which had left some areas within the municipality without water supply, thus consumption and billing was negatively affected. The lockdown due to the Covid-19 pandemic resulted in the municipal closing offices which had an adverse effect on debt collection.
- N2** Restrictions during level 4 of lockdown resulted in the traffic office being unable to operate. Extended validity of licences for licences expiring between the lockdown period which adversely impacts on collections.
- N3** Slow payment of accounts by debtors have resulted in more interest charge than anticipated. The debtors values are increasing mostly due inability of consumers to pay their accounts as a result of the economic situation and covid lockdowns.
- N4** Investments could not take place due to the inability to materialize the sale of assets resolved by council. Interest came in under performance as a result.
- N5** Under performance is mainly due to closure of facilities due to lockdown as a result of the covid-19 pandemic
- N6** Over performance related to the insurance proceeds for claims instituted
- N7** The traffic departments Vehicle testing centre was adversely affected due to resignations of key personell for a significant part of the financial year
- N8** Anticipated proceeds from sale of property not realised for unexpected reasons. The loss relates to scrapping of redundant and replaced items
- N9** The budget is based on the valuation roll with actuals including the impact of the subsidy and rebates applied for due to covid lockdown
- N10** INEP grant of R966,000 budgeted for however this is an indirect grant not received through the books of the municipality
- N11** Donated assets received from SBDM
- N12** Budget considered all positions vacant being filled and anticipated increased employee related expenditure
- N13** Low variance from actual. Budget is in line with the upper limits regulations
- N14** Significant write-off that took place during the 2020/21 financial year as covid lockdown relief to the poor
- N15** Estimated depreciation was inadequate due to a large number of completed projects in the current year
- N16** Estimated interest servely affected by non payment of creditors within legislated 30 days period due to sever cashflow constraints
- N17** Cut off entry in the accounting system to eliminate bulk purchases accrued for in the 2020 financial year
- N18** Significant increase in contracted services
- N19** Financial position has resulted in significant reduction of expenditure. Repairs reduction and delay in performing projects due to covid restrictions
- N20** Reduction of vehicles leases since new vehicles were purchased

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

Financial Position

- N21** Estimated inventory procurement was severely impacted by drought and covid-19 pandemic, which resulted in a diversion of funds to procure PPE. Shortages also resulting from stock inavailability and high turnaround times.
- N22** Other receivables line item includes VAT receivables balance. High growth in VAT suspense due to the inability of the municipality to pay major VAT creditors
- N23** Large increase in the provision for bad debts resulting in lower than budgeted balance. Covid and lockdown impact which has reduced payability of consumer debtors. Council also resolved to write off R27m during the year
- N24** The failure to materialize the planned land sales resulting in below budget
- N25** Under performance because of RBIG projects which were delayed by covid-19 pandemic
- N26** Security debt repayments were not made in line with the signed agreement hence the outstanding amount remains high
- N27** Reduction of creditors were expected with the land sales which did not materialize
- N28** Increased accounts being opened for water and electricity
- N29** Settlement of major provision in prior year resulted in the much lower provision amount (current)
- N30** Under budget of employee benefits liability and rehabilitation provision reduction

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

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

1.1 Presentation currency

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

1.2 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.

1.3 Budget information

Budget information is in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior year comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 43 to the financial

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1.5 Offsetting

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

1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future period.

Judgements

In the process of applying these accounting policies, management has made the following judgement that may have a significant effect on the amounts recognised in the annual financial statements.

Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

Receivables

The municipality assesses its receivables from 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

The impairment for Trade receivables is calculated based on the grading of category of debtors according to their payment history. An accumulation of arrear balances is an indicator of debtor delinquency. Such debtors are provided for as they are considered to be impaired due to uncertainty surrounding the recoverability of the outstanding

Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amount that will be required in future to settle the provision, management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 18 - Provisions.

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1.6 Significant judgements and sources of estimation uncertainty (continued)

Pension and other 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, future salary increase, mortality rates and future medical increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Effective interest rate

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

Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles, so that the effect of any impairment on a group of receivables would not differ materially from the impairment, that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about probability of recovery of the debtors based on their past payment history and risk profile.

Provision for rehabilitation of refuse landfill sites

The municipality has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size/ extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and the discounted to their present value using an appropriate discount rate, representing the time value of money.

Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value, management considers the impact of technology and minimum service requirements of the assets.

Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

The value of water inventory is calculated by considering the quantity of water in the pipes and is estimated based on the dimensions/ measurements of the pipes and the average cost per KL.

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1.7 Investment property

Initial recognition

Investment property is property held to earn rentals or for capital appreciation or both, rather than for:

- ☐ use in the production or supply of goods or services or for
- ☐ administrative purposes, or
- ☐ sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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

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

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

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

Subsequent Measurement - Cost Model

Subsequent to the initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down cost, less estimated residual value by equal instalments over the useful life of the property.

The useful lives of items of investment property have been assessed as follows:

Item	Depreciation method	Average useful life
Items useful life:		
Land	None	Indefinite
Buildings	Straight line	30 - 100 years

Land is not depreciated as it is considered to have an indefinite useful life.

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1.7 Investment property (continued)

Impairments

The entity test for impairment where there is an indication that the asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an investment property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or services potential are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is the difference between net disposal proceeds and the carrying amount of the asset and is recognised in the statement of financial performance in the period of retirement or disposal.

1.8 Property, plant and equipment

Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one 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, its deemed cost is the carrying amount of the asset(s) given up.

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

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

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1.8 Property, plant and equipment (continued)

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

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

Major spare parts and stand-by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand-by equipment which can only be used in connection with an items of property, plant and equipment are accounted for as property, plant and equipment.

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

Subsequent measurement - Cost model

Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life. Subsequent expenditure Where the municipality replaces part of an asset, it derecognises that part of the asset being replaced and capitalises the new component.

Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except land which is carried at cost.

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1.8 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Land	None	Indefinite
Buildings	Straight line	30 - 100 years
Infrastructure		
Roads and paving	Straight line	50 years
Water	Straight line	15 - 20 years
Electricity	Straight line	20 - 30 years
Sewerage	Straight line	15 - 20 years
Landfill sites	Straight line	30 years
Community		
Recreational facilities	Straight line	20 - 50 years
Museums and art galleries	Straight line	20 - 50 years
Security measures	Straight line	5 years
Cemetries	Straight line	25 - 30 years
Community halls	Straight line	30 - 100 years
Transport assets		
Specialised vehicles	Straight line	10 years
Other vehicles	Straight line	5 years
Other property, plant and equipment		
Office equipment	Straight line	3 - 7 years
Furniture and fittings	Straight line	7 - 20 years
Bins and Containers	Straight line	5 years
Emergency equipment	Straight line	5 years
Plant and equipment	Straight line	2 - 5 years
Airports	Straight line	15 years
Computer equipments	Straight line	3 - 7 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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 depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

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1.8 Property, plant and equipment (continued)

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

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

Derecognition

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

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

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is recognised in the Statement of Financial Performance when the compensation becomes receivable.

Library books

Library books are held to provide a service to the community. The books are fully depreciated in the year of acquisition due its individual and aggregate immaterial value. Library books are expected to be used over more than one reporting period and are therefore classified as property, plant and equipment. A register of the library books is maintained by the municipality. Using the principles in GRAP 1 and GRAP 3, the number of books on hand at year-end are disclosed as narrative in the note on property, plant and equipment.

1.9 Intangible assets

Initial recognition

An Intangible asset is an identifiable non-monetary asset without physical existence. An intangible 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 onto 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 are attributable to the asset will flow to the municipality; and
- ☐ the cost or fair value of the asset can be measured reliably.

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1.9 Intangible assets

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.

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- ☐ it is technically feasible to complete the asset so that it will be available for use or sale.
- ☐ there is an intention to complete and use or sell it.
- ☐ there is an ability to use or sell it.
- ☐ it will generate probable future economic benefits or service potential.
- ☐ there are available technical, financial and other resources to complete the development and to use or sell the asset.
- ☐ the expenditure attributable to the asset during its development can be measured reliably.

Subsequent measurement - Cost model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortization

The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is still subject to an annual impairment test.

Amortisation of an intangible asset with a finite life asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Amortisation ceases at the date that the asset is derecognised.

Amortisation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the intangible assets. The amortisation charge for each period is recognised in Statement of Financial Performance, unless it is included in the carrying amount of another asset. The residual value of an intangible asset with a finite useful life is considered to be zero.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

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1.9 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on straight line, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software, other	Straight line	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (Note 11).

Derecognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.10 Financial instruments

Initial recognition

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.

Financial instruments (financial assets and financial liabilities) are recognised on the Municipality's Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

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

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

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

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

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

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1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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1.10 Financial instruments (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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1.11 Inventories

Initial recognition

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably.

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.

Subsequent measurement

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 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.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

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.

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1.12 Employee benefits (continued)

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

1.13 Provisions and contingencies

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.

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1.13 Provisions and contingencies (continued)

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 constructive obligation to restructure arises only when an entity:

- ☐ has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and - when the plan will be implemented; and
- ☐ has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- ☐ necessarily entailed by the restructuring; and
- ☐ not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- ☐ the amount that would be recognised as a provision; and
- ☐ the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 54.

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

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

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

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1.13 Provisions and contingencies (continued)

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- ☐ financial difficulty of the debtor;
- ☐ defaults or delinquencies in interest and capital repayments by the debtor;
- ☐ breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- ☐ a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- ☐ the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- ☐ the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the 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.

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

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.

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1.14 Revenue from exchange transactions (continued)

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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

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

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Measurement

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

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ there has been compliance with the relevant legal requirements.

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1.15 Revenue from non-exchange transactions (continued)

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines 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.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- ☐ the amount of the revenue can be measured reliably, and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

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1.15 Revenue from non-exchange transactions (continued)

Other grants and donations

Other grants and donations are recognised as revenue when:

- ☐ it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- ☐ the amount of the revenue can be measured reliably; and
- ☐ to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.16 Borrowing costs

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

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

1.17 Unauthorised expenditure

Unauthorised Expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003).

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.18 Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 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), the Public Office Bearers Act (Act No 20 of 1998), or is in contravention of the Municipality's or Municipal Entities' Supply Chain Management Policies. Irregular Expenditure excludes Unauthorised Expenditure. Irregular Expenditure is accounted for as an expense in Surplus or Deficit in the period it occurred and where recovered, it is subsequently accounted for as revenue in Surplus or Deficit.

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1.20 Related parties

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

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

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

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

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

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

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

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, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.21 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements. The following classes of heritage assets exists:

- ☐ Antique/Art/Jewelry
- ☐ Historical buildings
- ☐ Monuments

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1.21 Heritage assets (continued)

Initial recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset shall be measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

The municipality applies the cost model to all classes of heritage assets.

After recognition as an asset, a class of heritage assets is carried at cost less any accumulated impairment losses.

Impairment

A heritage asset shall not be depreciated but an entity shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the entity shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

Transfers

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset. Derecognition
The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

Derecognition

The carrying amount of a heritage asset shall be derecognised: (a) on disposal (including disposal through a non-exchange transaction); or (b) when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.22 Statutory receivables

Identification

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

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

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1.22 Statutory receivables (continued)

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

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

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

Recognition

The municipality recognises statutory receivables as follows:

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

Initial measurement

The municipality initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

Accrued interest

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

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

Impairment losses

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

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1.22 Statutory receivables (continued)

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- ☐ Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- ☐ It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- ☐ A breach of the terms of the transaction, such as default or delinquency in principal or interest payments.
- ☐ Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

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

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

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

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

Derecognition

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

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

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

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1.23 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.24 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.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

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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.

1.26 Impairment of cash-generating assets

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

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

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

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

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

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- ☐ the period of time over which an asset is expected to be used by the municipality; or
- ☐ the number of production or similar units expected to be obtained from the asset by the municipality.

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1.26 Impairment of cash-generating assets (continued)

Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of 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, rather than this accounting policy.

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.

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

Value in use

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

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

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).

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1.26 Impairment of cash-generating assets (continued)

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.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

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

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- ☐ its fair value less costs to sell (if determinable);
- ☐ its value in use (if determinable); and
- ☐ zero.

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

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

1.27 Value added Tax (VAT)

The municipality accounts for VAT on the accrual basis of accounting. The municipality is liable to for VAT at the standard rate (15%) in terms of section 7(1)(a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act.

Where Input VAT exceeds output VAT the municipality recognises a receivables for VAT. Where output VAT exceeds input VAT the municipality recognises a payable for VAT.

The municipality is registered for VAT on the payment basis. VAT is claimed from/paid to SARS only once payment is made to supplier or cash is collected on vat-able suppliers.

1.28 Investment income

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

1.29 Consumer deposits

Consumer deposits are disclosed as a current liability and carried at amortised cost which is the amount at which the liability is measured at initial recognition minus principal repayments.

Consumer deposits are levied in line with council's policy to consumers when services are initially connected. When services are disconnected or terminated, the outstanding deposit is utilised against any arrear accounts the consumer might be liable for on that date. Any excess deposit after all debt is settled is refunded to the specific consumer.

1.30 Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be 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 will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets represent possible assets that arise from past events and whose existence will be confirmed only by an occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

1.31 Living and Non-living resources

Living resources are those resources, other than Biological Assets that form part of an agricultural activity, that undergo biological transformation.

Non-living resources are those resources, other than living resources, that occur naturally and have not been extracted. Non-living resources, other than land, are not recognised as assets in the financial statements of the Municipality.

The municipality does not have any living resources

The municipality extracts water from various boreholes across the municipality to sustain the demand. The Nqweba dam that is a natural resource has been experiencing severe pressure and has been dry for long periods. However the only water source subject to our control is the boreholes as the Nqweba dam is the ownership of the department of water and sanitation as it was handed to for major maintenance to be performed.

For each borehole we have a water use licence that stipulates the abstraction rate. No rehabilitation is done, the idea is to manage the abstraction to prevent the borehole from drying up.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

GRAP 18 : Segment Reporting

The objective of this Standard is to establish principles for reporting financial information by segments. The disclosure of this information will:

- ☐ enable users of the financial statements to better understand the entity's past performance, to evaluate the nature and financial effects of the activities in which it engages and the economic environments in which it operates;
- ☐ identify the resources allocated to support the major activities of the entity and assist in making decisions about the allocation of resources; and
- ☐ enhance the transparency of financial reporting and enable the entity to better discharge its accountability obligations.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard in the presentation of segment information.

This standard requires disclosure of information about reported segment surplus or deficit, segment assets, segment liabilities and the basis of measurement and a reconciliation of the totals per segment to the corresponding entity amounts

An entity shall disclose the following general information:

- ☐ factors used to identify the entity's reportable segments, including the basis of organisation (for example, whether management has chosen to organise the entity around differences in goods and/or services, geographical areas, regulatory environments, or a combination of factors);
- ☐ whether segments have been aggregated and the basis of the aggregation; and
- ☐ types of goods and/or services delivered by each segment.

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.1 Standards and interpretations effective and adopted in the current year (continued)

GRAP 110 : Living and Non-Living Resources

The objective of this Standard is to prescribe the: recognition, measurement, presentation and disclosure requirements for living resources; and disclosure requirements for non-living resources.

An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard to the:

- ☐ recognition, measurement, presentation and disclosure of living resources except those living resources that are:
 - biological assets related to agricultural activity other than bearer plants (see the Standard of GRAP on Agriculture (GRAP 27))
 - bearer plants related to agricultural activity (see the Standard of GRAP on Property, Plant and Equipment (GRAP 17)); or
 - inventory (see the Standard of GRAP on Inventories (GRAP 12)); and
- ☐ disclosure of non-living resources, except:
 - land, that shall be accounted for in accordance with GRAP 12, GRAP 17 and the Standards of GRAP on Investment Property (GRAP 16), and Heritage Assets (GRAP 103); or
 - water and minerals, oils and gas, and other non-regenerative resources that meet the definition of inventory (see GRAP 12).

The entity has adopted the standard for the first time in the 2020/2021 annual financial statements.

2.2 Standards and interpretations issued, but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- ☐ GRAP 20 Related parties
- ☐ GRAP 32: Service Concession Arrangements: Grantor
- ☐ GRAP 108: Statutory Receivables
- ☐ GRAP 109: Accounting by Principals and Agents

All the other listed standards as listed above will only be effective when a date is announced by the Minister of Finance.

Where a standard of GRAP is approved as effective, it replaces the equivalent statement of International Public Sector Accounting Standards Board, International Financial Reporting Standards or Generally Accepted Accounting Principles. Where a standard of GRAP has been issued, but is not yet effective, the municipality may elect to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph 12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.2 Standards and interpretations issued, but not yet effective (continued)

GRAP 20: Related parties

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

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- ☐ identifying related party relationships and transactions;
- ☐ identifying outstanding balances, including commitments, between an entity and its related parties;
- ☐ identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- ☐ determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that 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. As a minimum, the following are regarded as related parties of the reporting entity:

- ☐ A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- ☐ An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party; - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

2.2 Standards and interpretations issued, but not yet effective (continued)

The standard elaborates on the definitions and identification of:

- ☐ Close member of the family of a person;
- ☐ Management;
- ☐ Related parties;
- ☐ Remuneration; and
- ☐ Significant influence

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

- ☐ Control;
- ☐ Related party transactions; and
- ☐ Remuneration of management

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

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

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

GRAP 32: Service Concession Arrangements: Grantor

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

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

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

GRAP 108: Statutory Receivables

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

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

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

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

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2.2 Standards and interpretations issued, but not yet effective (continued)

GRAP 109: Accounting by Principals and Agents

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

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

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

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

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

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	2021 R	2020 Restated* R
3. VAT RECEIVABLE		
VAT	9 832 247	4 669 731

Dr Beyers Naude Municipality is registered for VAT on the payment basis.

No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies. The municipality has financial risk policies in place to ensure that payments are affected before the due date.

4. INVENTORIES

Consumable stores	2 946 440	3 456 002
Water	615 611	743 629
	3 562 051	4 199 631

Inventories are held for own use and measured at the lower of Cost and Current Replacement Cost. No write downs of Inventory to Net Realisable Value were required.

Inventory to the value of R139,267 (2020: R152,943) was written off during the year.

No Inventories have been pledged as collateral for Liabilities of the municipality.

5. OTHER RECEIVABLES

Sundry deposits	320 900	290 900
Sundry debtors	609 170	496 305
Meter readings not yet billed	5 382 465	4 264 185
	6 312 535	5 051 390

6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Consumer debtors - Rates	3 728 445	3 644 772
Rates	25 208 671	23 304 808
Less: Allowance for impairment	(21 480 227)	(19 660 036)
Net Balance	3 728 445	3 644 772

Ageing

Current (0-30 days)	1 324 933	967 329
31 - 60 days	480 356	427 557
61 - 90 days	406 169	380 198
91 - 120 days	376 252	466 688
121 days +	22 620 961	21 063 036
	25 208 671	23 304 808

Summary of debtors by customer classification

Residential

Current (0-30 days)	600 757	654 977
31 - 60 days	273 445	244 721
61 - 90 days	218 805	191 146
91 - 120 days	198 254	250 887
121 days +	9 289 890	9 253 938
	10 581 151	10 595 668

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
6. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (Continued)		
Summary of debtors by customer classification (Continued)		
Industrial/commercial		
Current (0-30 days)	368 064	336 055
31 - 60 days	205 602	181 969
61 - 90 days	186 424	188 081
91 - 120 days	177 059	214 935
121 days +	11 063 068	9 328 333
	12 000 218	10 249 371
National and provincial government		
Current (0-30 days)	356 112	(23 702)
31 - 60 days	1 308	867
61 - 90 days	940	971
91 - 120 days	940	867
121 days +	2 268 003	2 480 766
	2 627 303	2 459 769
Total		
Current (0-30 days)	1 324 933	967 329
31 - 60 days	480 356	427 557
61 - 90 days	406 169	380 198
91 - 120 days	376 252	466 688
121 days +	22 620 961	21 063 036
Less: Impairment	(21 480 227)	(19 660 036)
	3 728 445	3 644 772
Total debtors past due but not impaired		
61 - 90 days	66 111	124 733
91 - 120 days	30 312	93 189
121 days +	2 544 573	2 726 038
Reconciliation of allowance for impairment		
Balance at beginning of the year	(19 660 036)	(12 926 739)
Bad debts written off against allowance	793 382	347 241
Current year's impairment	(2 613 572)	(7 080 539)
	(21 480 227)	(19 660 036)

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset. Property Rates arise from the MUNICIPAL PROPERTY RATES ACT NO. 6 OF 2004 as amended by Municipal Property Rates Amendment Act, No. 29 of 2014. This should be read together with Government Gazette 32061, updated by Government Gazette 38259 dated 28 November 2014. Statutory receivables transaction amounts is determined via the municipalities approved rates policy.

Impairment of Statutory receivables are assessing based on indicators that exist at each reporting date. These include but not limited to payment history and the customers overall profile.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS		
Gross balances		
Electricity	13 676 822	10 316 904
Water	42 966 300	41 427 424
Sewerage	23 333 928	18 588 006
Refuse	33 733 145	24 695 708
Housing	159 090	178 790
Sundry	4 162 187	3 514 713
	118 031 473	98 721 545
Less: Allowance for impairment		
Electricity	(4 607 622)	(3 155 319)
Water	(39 895 805)	(38 751 964)
Sewerage	(22 244 612)	(17 537 424)
Refuse	(30 491 053)	(22 351 925)
Housing	(158 990)	(178 692)
Sundry	(3 504 523)	(2 905 439)
	(100 902 604)	(84 880 764)
Net balance		
Electricity	9 069 200	7 161 584
Water	3 070 495	2 675 461
Sewerage	1 089 317	1 050 582
Refuse	3 242 093	2 343 783
Housing	100	97
Sundry	657 665	609 274
	17 128 869	13 840 782
Electricity		
Current (0-30 days)	6 778 400	4 133 344
31 - 60 days	1 228 206	1 529 727
61 - 90 days	899 988	887 090
91 - 120 days	745 373	462 108
121 days +	4 024 855	3 304 635
	13 676 822	10 316 904
Water		
Current (0-30 days)	3 131 821	2 839 241
31 - 60 days	2 513 852	2 087 075
61 - 90 days	2 188 879	2 018 675
91 - 120 days	2 196 349	1 806 597
121 days +	32 935 399	32 675 838
	42 966 300	41 427 424
Sewerage		
Current (0-30 days)	1 322 425	1 025 515
31 - 60 days	918 397	773 351
61 - 90 days	863 458	742 607
91 - 120 days	815 375	819 701
121 days +	19 414 273	15 226 832
	23 333 928	18 588 006

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Refuse		
Current (0-30 days)	1 766 629	1 334 053
31 - 60 days	1 371 694	1 076 931
61 - 90 days	1 297 236	1 026 079
91 - 120 days	1 226 988	1 147 753
121 days +	28 070 598	20 110 893
	33 733 145	24 695 708
Housing rental		
Current (0-30 days)	295	-
31 - 60 days	295	-
61 - 90 days	295	-
91 - 120 days	295	431
121 days +	157 909	178 359
	159 090	178 790
Sundry		
Current (0-30 days)	142 362	117 370
31 - 60 days	88 231	38 863
61 - 90 days	87 094	33 986
91 - 120 days	89 160	73 502
121 days +	3 755 340	3 250 992
	4 162 187	3 514 713
Summary of debtors by customer classification		
Residential		
Current (0-30 days)	6 829 317	5 429 723
31 - 60 days	4 673 170	3 709 560
61 - 90 days	4 164 281	3 553 717
91 - 120 days	4 101 413	3 610 578
121 days +	75 380 992	64 908 979
	95 149 173	81 212 557
Industrial/commercial		
Current (0-30 days)	4 662 854	3 130 728
31 - 60 days	819 251	876 321
61 - 90 days	594 478	541 785
91 - 120 days	516 405	412 457
121 days +	8 913 335	6 532 937
	15 506 322	11 494 227
National and provincial government		
Current (0-30 days)	1 649 760	889 071
31 - 60 days	628 254	920 065
61 - 90 days	578 192	612 935
91 - 120 days	455 723	287 057
121 days +	4 064 046	3 305 632
	7 375 976	6 014 760

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
7. RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)		
Total		
Current (0-30 days)	13 141 931	9 449 522
31 - 60 days	6 120 676	5 505 946
61 - 90 days	5 336 951	4 708 437
91 - 120 days	5 073 541	4 310 092
121 days +	88 358 373	74 747 549
Less: Impairment	(100 902 604)	(84 880 764)
	17 128 868	13 840 782
Impairment:	(100 902 604)	(84 880 764)
Total debtors past due but not impaired		
61 - 90 days	1 036 278	1 437 989
91 - 120 days	650 682	827 187
121 days +	4 728 991	4 365 075
Reconciliation of allowance for impairment		
Balance at beginning of the year	(84 880 764)	(47 067 153)
Bad debts written off against allowance	26 804 641	2 355 384
Current year's impairment	(42 826 481)	(40 168 995)
	(100 902 604)	(84 880 764)
8. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of:		
Cash on hand	5 005	5 005
Bank Accounts	1 673 256	1 238 875
Current Investments	956 184	1 033 657
Total Bank, Cash and Cash Equivalents	2 634 445	2 277 537
The municipality had the following bank accounts		
Account number / description	Bank statement balances	
	30 June 2021	30 June 2020
FNB - 52300007898	84 681	220 391
FNB - Call account - 62374218503	-	-
ABSA - Cheque Account - 4053623514	4 581	19 787
Standard Bank - Cheque Account - Prim	1 524 272	942 697
Standard Bank - Cheque Account - 03321C	21 678	59 209
ABSA Investments - 9257114251	28 231	27 096
FNB Investments - 74374220066	1 221	991 261
Investec - 1100458805501	2 938	2 938
Call deposit - 38003651247	-	-
Standard bank - FMG Call account - /002	1 754	1 620
Standard bank - FMG Call account - /003	2 986	2 970
Standard bank - FMG Call account - /004	33 282	3 581
Standard bank - FMG Call account - /006	885 771	-
	2 591 395	2 271 548
	Cash book balances	
	30 June 2021	30 June 2020
	-	-
	-	298
	-	-
	1 642 568	1 168 343
	30 689	70 532
	28 231	27 096
	1 221	991 261
	2 938	2 938
	-	3 894
	1 754	1 620
	2 986	2 970
	33 282	3 581
	885 771	-
	2 629 440	2 272 532

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021			2020		
	R			R		
	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	28 951 841	(1 534 979)	27 416 862	28 951 841	(1 493 613)	27 458 228

Reconciliation of investment property - 2021

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	553 025	(41 366)	511 660
	27 458 228	(41 366)	27 416 862

Reconciliation of investment property - 2020

	Opening balance	Depreciation	Total
Land	26 905 202	-	26 905 202
Buildings	594 505	(41 479)	553 025
	27 499 707	(41 479)	27 458 228

The investment property balance has been significantly restated. Refer to prior period errors note for information

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.

All of the municipality's investment property is held under freehold interest and no investment property has been pledged as security for any liabilities of the municipality. There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal. There are no contractual obligations on investment property.

10. PROPERTY, PLANT AND EQUIPMENT

	2021			2020		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	121 266 060	-	121 266 060	121 266 060	-	121 266 060
Buildings	54 830 177	(15 536 533)	39 293 644	54 765 177	(12 801 787)	41 963 389
Infrastructure	1 088 189 663	(258 840 461)	829 349 202	944 043 514	(207 301 792)	736 741 722
Community	21 941 133	(3 849 129)	18 092 003	21 941 133	(3 053 424)	18 887 709
Work-in-progress	25 313 488	-	25 313 488	137 957 395	-	137 957 395
Landfill sites	17 221 161	(2 634 863)	14 586 298	15 289 601	(2 065 413)	13 224 188
Transport assets	18 199 312	(8 027 200)	10 172 112	14 914 485	(6 606 682)	8 307 803
Other assets	21 569 201	(8 370 743)	13 198 458	19 645 896	(7 063 555)	12 582 340
Total	1 368 530 194	(297 258 929)	1 071 271 265	1 329 823 260	(238 892 654)	1 090 930 606

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

					2021 R	2020 Restated* R
10. PROPERTY, PLANT AND EQUIPMENT (Continued)						
Reconciliation of property, plant and equipment - 2021						
	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation	Total
Land	121 266 060	-	-	-	-	121 266 060
Buildings	41 963 389	65 000	-	-	(2 734 745)	39 293 644
Infrastructure	736 741 721	21 874 575	(1 549 489)	125 113 117	(52 830 722)	829 349 203
Community	18 887 708	-	-	-	(795 705)	18 092 003
Work-in-progress	137 957 395	14 400 770	-	(127 044 677)	-	25 313 488
Landfill sites	13 224 188	-	-	1 931 560	(569 450)	14 586 298
Transport assets	8 307 803	3 294 011	(3 084)	-	(1 426 619)	10 172 111
Other assets	12 582 340	1 923 306	-	-	(1 307 188)	13 198 458
	1 090 930 606	41 557 662	(1 552 573)	-	(59 664 429)	1 071 271 265

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Additions through transfers from WIP	Depreciation	Total
Land	121 830 461	-	(564 400)	-	-	121 266 060
Buildings	44 698 363	-	-	-	(2 734 973)	41 963 389
Infrastructure	773 480 642	10 066 233	-	-	(46 805 154)	736 741 721
Community	15 345 087	4 337 639	-	-	(795 018)	18 887 708
Work-in-progress	94 199 556	53 116 370	-	(9 358 531)	-	137 957 395
Landfill sites	13 793 426	-	-	-	(569 238)	13 224 188
Transport assets	9 417 762	1 049 503	(373 987)	-	(1 785 475)	8 307 803
Other assets	13 814 129	337 067	(5 546)	-	(1 563 310)	12 582 340
	1 086 579 426	68 906 812	(943 933)	(9 358 531)	(54 253 168)	1 090 930 606

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

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

The municipality has 12 libraries within the geographical area. The library books controlled on behalf of the Province are all individually and in aggregate immaterial and most of the books are not in a good condition. The cost of the library books is recorded in asset listings but are depreciated in full in the year of acquisition. The recording in the asset listings is necessary in order that control can be exercised over the books.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021			2020 Restated*		
	R			R		
11. INTANGIBLE ASSETS						
	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Computer software	362 563	(353 839)	8 724	362 563	(331 116)	31 447

Reconciliation of intangible assets - 2021

	Opening balance	Amortization	Total
Computer software	31 447	(22 723)	8 724
Total Cost of intangible assets	31 447	(22 723)	8 724

Reconciliation of intangible assets - 2020

	Opening balance	Amortization	Total
Computer software	88 434	(56 987)	31 447
Total Cost of intangible assets	88 434	(56 987)	31 447

12. HERITAGE ASSETS

	2021			2020		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical buildings	2 768 000	-	2 768 000	2 768 000	-	2 768 000
Antique/Art/Jewelry	1 215 950	-	1 215 950	1 215 950	-	1 215 950
Monuments	7 113 720	-	7 113 720	7 113 720	-	7 113 720
Total Heritage Assets	11 097 671	-	11 097 671	11 097 671	-	11 097 671

Reconciliation of heritage assets - 2021

	Opening balance	Total
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
Total Cost of heritage assets	11 097 671	11 097 671

Reconciliation of heritage assets - 2020

	Opening balance	Total
Historical buildings	2 768 000	2 768 000
Antique/Art/Jewelry	1 215 950	1 215 950
Monuments	7 113 720	7 113 720
Total Cost of heritage assets	11 097 671	11 097 671

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	2021 R	2020 Restated* R
13. OTHER FINANCIAL LIABILITIES		
At amortised cost		
Performance security deposit- Utilities world	17 614 620	11 755 461
Total other financial liabilities	17 614 620	11 755 461
An additional amendment performance security deposit is repayable over a period of 24 months from January 2021 to December 2023 at an interest rate of 20% per annum. The original performance security was interest free and settled in February 2021.		
Non-current liabilities		
At amortised cost	7 373 669	-
Current liabilities		
At amortised cost	10 240 951	11 755 461
14. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade payables and other accruals	284 847 707	195 288 967
Retentions	2 066 114	1 976 744
Leave pay accrual	11 715 694	11 088 971
Bonus accrual	5 523 218	5 065 807
Debtors with credit balances	2 922 640	3 149 667
Statutory and non-statutory deductions	42 085 644	31 502 437
Total Payables	349 161 017	248 072 592
15. PAYABLES FROM NON-EXCHANGE TRANSACTIONS		
Prepayment of electricity	165 193	165 193
Unallocated receipts	3 503 557	1 944 854
Debtors with credit balances	868 574	805 457
Total Payables	4 537 324	2 915 504
16. CONSUMER DEPOSITS		
Electricity	2 404 070	2 326 208
Water	1 147 026	1 102 826
Other sundry deposits	25 681	25 681
	3 576 776	3 454 715

No interest accrues on consumer deposits as Dr Beyers Naude Local Municipality is not a deposit taking entity in terms of the banking Act.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
17. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
Unspent conditional grants and receipts comprises of:		
Municipal infrastructure grant - DORA	-	1 214 033
Municipal Disaster Relief grant	-	865 835
Total Unspent Conditional Grants	-	2 079 868
Movement during the year		
Balance at the beginning of the year	2 079 868	2 726 167
Repayment of unspent grant	(1 214 033)	(69 844)
Additions during the year	42 971 706	47 015 289
Income recognition during the year	(43 837 541)	(47 591 744)
Balance at the end of the year	-	2 079 868

Amounts withheld back by National Treasury during the 2021 financial period amount to R1 214 033.

See note 28 for reconciliation of grants from National/Provincial Government.

18. PROVISIONS

Reconciliation of provisions - 2021	Opening balance	Additions	Total
Legal proceedings	9 834 320	(9 769 320)	65 000
Rehabilitation of landfill sites	21 666 000	(3 095 800)	18 570 200
Total Provisions	31 500 320	(12 865 120)	18 635 200
Reconciliation of provisions - 2020	Opening balance	Additions	Total
Legal proceedings	8 674 076	1 160 244	9 834 320
Rehabilitation of landfill sites	22 615 000	(949 000)	21 666 000
Total Provisions	31 289 076	211 244	31 500 320
Non-current liabilities		18 570 200	21 666 000
Current liabilities		65 000	9 834 320
		18 635 200	31 500 320

Rehabilitation of landfill sites

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act no.73 of 1989 to rehabilitate landfill sites after use. Some of the sites are expected to be closed in 2041, after which rehabilitation will take place over the course of the next 20 years after which the site is expected to be fully rehabilitated. The following assumption were used when calculating the provision for landfill Site rehabilitation: - The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives, the ground and ground water on the entire site are thus considered to be contaminated and not just the portion in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portion used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
18. PROVISIONS (Continued)		
The following are the landfill sites of the Dr Beyers Naude LM:		
Sites	Remaining useful life	
Jansenville	5 years remaining	
Klipplaat	8 years remaining	
Steytlerville	10 years remaining	
Willowmore	8 years remaining	
Rietbron	7 years remaining	
Aberdeen	20 years remaining	
Graaff-Reinet	15 years remaining	
Nieu-Bethesda	4 year remaining	
19. EMPLOYEE BENEFIT OBLIGATIONS		
Defined benefit plan		
The plan is a post employment medical benefit plan		
Post retirement medical aid plan and Long service award		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(37 654 853)	(35 878 000)
Present value of long service award	(11 704 546)	(10 825 000)
	(49 359 399)	(46 703 000)
Non-current liabilities	(46 732 653)	(43 834 000)
Current liabilities	(2 626 746)	(2 869 000)
	(49 359 399)	(46 703 000)
Changes in the present value of the employee benefit obligation are as follows:		
Opening balance	(46 703 000)	(50 819 000)
Benefits paid	2 869 000	2 991 000
Net expense recognised in the statement of financial performance	(5 525 399)	1 125 000
Balance at end of Year	(49 359 399)	(46 703 000)
Net expense recognised in the statement of financial performance		
Current service cost	(2 460 000)	(2 860 000)
Interest cost	(4 421 000)	(4 555 000)
Actuarial gains/(losses)	1 355 601	8 540 000
	(5 525 399)	1 125 000
Key assumptions used		
Assumptions used at the reporting date:		
Discount Rate used	12.35%	10.50%
Health Care Cost Inflation Rate	9.08%	6.54%
Net Discount Rate used	3.00%	3.72%

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	2021 R	2020 Restated* R
19. EMPLOYEE BENEFIT OBLIGATIONS (Continued)		
The PA 90-1 post-retirement mortality table used for pensioners and SA85-90 (Normal) for active employees.		
Proportion married for active employees 60% of married and 90% of single in-service members and for pensioners the actual marital status is used.		
Average age of Continuation pensioners at 30 June 2021 was 69.97, with an average employer monthly contribution of R3,293.		
Number of active employees: 222		
Average age of active employees as at 30 June 2021 was 44.40, with an average employer monthly contribution of R3,302.		
Defined contribution plan		
The obligation in respect of medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2021 by One Pangaea expertise & solutions using the Projected Unit Credit Method.		
Long Service Award Provision		
The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date.		
The actuarial valuation of the long service awards accrued liability was carried out by One Pangaea expertise & solutions. The assumptions used in the valuation are outlined below:		
Key Assumptions:		
1. Salary increase rate at 6.12% (2020 - 3,86%)		
2. The mortality rate of SA 85 - 90.		
3. Normal retirement age of 65 years.		
4. Assumed retirement age is 62 years.		
5. CPI rate is 5.12% (2020 - 3,86%)		
6. Discount rate used 8.17% (2020 - 7,19%).		
7. Net Discount rate used 3.21% (2020 - 3,21%)		
20. SERVICE CHARGES		
Sale of Electricity	110 657 507	105 071 850
Sale of Water	37 835 856	35 446 792
Sewerage and Sanitation Charges	15 941 253	14 651 835
Refuse Removal	19 643 943	17 074 831
Total Service Charges	184 078 559	172 245 308
21. AGENCY SERVICES		
eNatis commission	2 372 921	2 114 561

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
22. INTEREST EARNED		
Outstanding Debtors:		
Outstanding Billing Debtors	<u>9 044 010</u>	<u>5 705 111</u>
External Investments:		
Bank Account	29 464	178 162
Investments	<u>139 201</u>	<u>263 465</u>
	<u>168 665</u>	<u>441 627</u>
Total Interest Earned	<u>9 212 675</u>	<u>6 146 738</u>
23. RENTAL OF FACILITIES AND EQUIPMENT		
Premises		
Rental of Facilities and Equipment	<u>810 706</u>	<u>702 347</u>
24. OTHER REVENUE		
Administrative charge	208 506	88 929
Building plan fees	525 994	162 525
Commission received	258 084	255 286
Tender deposits	87 603	93 830
Connections - Electricity	353 474	224 018
Cost recoveries	145 926	173 444
Burial and cemetery fees	95 144	89 224
Insurance proceeds	391 254	16 643
Library fees	2 565	15 791
Valuation certificates	327 283	246 096
Sundry income	420 381	171 947
Total Other Revenue	<u>2 816 215</u>	<u>1 537 733</u>
25. LICENCES AND PERMITS		
Licences and permits	<u>932 026</u>	<u>309 585</u>
Included above are Drivers licence fees and learners licence fees.		
26. PROPERTY RATES		
Rates received		
Residential	12 885 653	11 505 115
Commercial	9 418 841	8 197 498
State	8 800 208	6 899 034
Small holdings and farms	<u>5 794 438</u>	<u>8 307 633</u>
	<u>36 899 140</u>	<u>34 909 280</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
26. PROPERTY RATES (Continued)		
Valuations		
Residential	2 412 069 650	2 400 134 950
Commercial	740 596 810	720 034 640
State	658 948 960	658 929 460
Municipal	320 317 360	328 395 560
Agricultural	8 545 690 300	8 545 728 100
Exempt	255 893 200	248 852 700
Industrial	62 342 800	61 909 800
Multiple	19 142 000	19 946 000
Total Property Rates	13 015 001 080	12 983 931 210

The Dr Beyers Naude Local Municipality has been established in terms of section 12 of the Local Government Municipal Structures Act of 199 (Act 117 of 1998), Government Gazette No.3717. Section 7 relating to the Valuation and Supplementary rolls states that the newly established municipality must continue to apply the valuation roll, supplementary roll, property rates policy, property rates By-laws and property rates tariffs that were in force in the former areas of the merging municipalities until it adopts a new general valuation roll in terms of section 30 of the Local Government Municipality Property Act, 2004 (Act 6 of 2004).

27. FINES, PENALTIES AND FORFEITS

Traffic fines	79 611	30 627
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28. GOVERNMENT GRANTS AND SUBSIDIES

Operating grants		
Equitable Share	110 935 033	90 875 845
Sarah Baartman - fire grant	1 600 000	519 320
DSRAC Library Grant	2 308 000	2 308 000
EPWP integrated grant	1 186 000	1 251 000
Finance management grant	3 000 000	4 000 000
SETA Training Grant	143 973	434 270
Environmental affairs grant	1 010 000	1 429 650
Municipal Disaster Relief Grant	865 835	266 165
Drought relief grant	-	24 067 917
OTP grant	-	4 209 676
	121 048 841	129 361 842
Capital grants		
Municipal infrastructure grant	25 243 000	19 393 967
COGTA Grant	-	6 388 392
Water conservation and demand grant	7 000 000	7 000 000
Regional bulk infrastructure grant	6 542 706	4 123 361
	38 785 706	36 905 721
Total Government Grants and Subsidies	159 834 547	166 267 563

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
28. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
National: Equitable Share		
Current year receipts	110 935 033	90 875 845
Transferred to Revenue	(110 935 033)	(90 875 845)
	<u>-</u>	<u>-</u>

In terms of Section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share grant also provides funding for the municipality to deliver free basic services to poor households and subsidise the cost of administration and other core services for the municipality.

Municipal infrastructure grant

Balance unspent at beginning of year	1 214 033	14 846
Repayment of unspent grant	(1 214 033)	(14 846)
Current year receipts	25 243 000	20 608 000
Conditions met - transferred to Revenue	(25 243 000)	(19 393 967)
Conditions still to be met - remain liabilities (see note 17).	<u>-</u>	<u>1 214 033</u>

Municipal infrastructure grant

The Municipal Infrastructure Grant (MIG) was allocated for the construction of roads, basic sewerage and water infrastructure as part of the upgrading of poor households, micro enterprises and social institutions; to provide for new, rehabilitation and upgrading of municipal infrastructure. No funds have been withheld.

DSRAC libraries grant

Current year receipts	2 308 000	2 308 000
Transferred to revenue	(2 308 000)	(2 308 000)
	<u>-</u>	<u>-</u>

This grant was received from the Department of Sport, Recreation, Arts and Culture. This grant is used to support the maintenance of the library.

Regional Bulk Infrastructure Grant

Current year receipts	6 542 706	4 123 361
Conditions met - transferred to Revenue	(6 542 706)	(4 123 361)
	<u>-</u>	<u>-</u>

RBIG allocation is received from the department of water and sanitation to assist with drought alleviation in the municipality.

SETA Training Grant

Current year receipts	143 973	434 270
Conditions met - transferred to Revenue	(143 973)	(434 270)
	<u>-</u>	<u>-</u>

SETA grant is a mandatory funding received from MICT SETA derived from the skills levy paid by the municipality

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	2021 R	2020 Restated* R
28. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Finance Management Grant		
Current year receipts	3 000 000	4 000 000
Conditions met - transferred to Revenue	(3 000 000)	(4 000 000)
	-	-
The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements, audit improvement and mSCOA implementations.		
Sarah Baartman district - Fire services Grant		
Current year receipts	1 600 000	519 320
Transferred to Revenue	(1 600 000)	(519 320)
	-	-
Received from Sarah Baartman DM to part fund the municipality carrying out the district mandate for fire services.		
MSIG		
Balance unspent at beginning of year	-	54 998
Repayment of unspent grant	-	(54 998)
	-	-
Expanded Public Works Programme Integrated Grant		
Current year receipts	1 186 000	1 251 000
Transferred to Revenue	(1 186 000)	(1 251 000)
	-	-
This grant is used pay stipends for unemployed youths through the EPWP programme.		
Environmental Health grant		
Current year receipts	1 010 000	1 429 650
Transferred to Revenue	(1 010 000)	(1 429 650)
	-	-
This grant subsidizes the environmental health function, a mandate of the district municipality performed by the municipality		
OTP Grant		
Current year receipts	-	4 209 676
Transferred to Revenue	-	(4 209 676)
	-	-
Water service infrastructure Grant		
Current year receipts	7 000 000	7 000 000
Reclassification from Drought	-	(816 877)
Conditions met - transferred to Revenue	(7 000 000)	(6 183 123)
	-	-

The water services infrastructure grant is allocated to the municipality to assist in drought relief

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
28. GOVERNMENT GRANTS AND SUBSIDIES (Continued)		
Drought Relief Grant		
Balance unspent at beginning of year	-	2 656 335
Reclassification to Water Conservation and Demand Grant	-	816 877
Conditions met - transferred to Revenue	-	(3 473 212)
	-	-
COGTA Grant		
Current year receipts	-	6 388 392
Conditions met - transferred to Revenue	-	(6 388 392)
	-	-
Municipal Disaster Relief Grant		
Balance unspent at beginning of year	865 835	-
Current year receipts	-	1 132 000
Conditions met - transferred to Revenue	(865 835)	(266 165)
Conditions still to be met - remain liabilities (see note 17).	-	865 835
Relief grant for the acquisition of cleaning material and PPE for covid related expenditure		
29. PUBLIC CONTRIBUTIONS AND DONATIONS		
Public Contributions and Donations	2 238 225	1 049 503
The Sarah Baartman District Municipality donated two fire fighting equipment capitalized to the value of R126,793. An amount of R2,111,431 is attributable to the 1% donation from the AGSA		
30. EMPLOYEE RELATED COSTS		
Basic Salaries and Wages	121 209 476	117 362 082
Bonus	9 389 444	8 541 994
Medical aid - company contributions	6 886 765	6 391 388
Unemployment insurance fund	873 775	867 192
Skills Development Levy	1 482 924	1 324 298
Pension fund contributions	19 844 331	19 755 711
Travel, Motor Car, Accommodation, Subsistence allowance	2 286 810	2 194 752
Overtime Payments	7 151 056	7 590 565
Housing Benefits and Allowances	602 250	602 953
Other allowances	1 216 625	-
Total Employee Related Costs	170 943 455	164 630 936
Remuneration of Municipal Manager		
Annual Remuneration	1 112 164	969 193
Contributions to UIF, Medical and Pension Funds	161 428	135 276
Allowances	184 800	169 400
	1 458 391	1 273 870

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	2021 R	2020 Restated* R
30. EMPLOYEE RELATED COSTS (Continued)		
Remuneration of Chief Financial Officer		
Annual Remuneration	1 162 433	1 100 706
Contributions to UIF, Medical and Pension Funds	11 673	1 896
Allowances	40 800	40 800
	1 214 906	1 143 403

Appointed Chief Financial Officer is suspended from November 2019. An acting chief financial officer has been appointed for the duration of the suspension period. An acting allowance for the 2021 financial year amounted to R197,426

Remuneration of Acting Director - Corporate Services		
Annual Remuneration	764 198	600 060
Contributions to UIF, Medical and Pension Funds	155 454	112 052
Allowances	305 799	141 246
	1 225 451	853 359

Appointed in August 2020. Figures for 30 June 2020 are related to the same incumbent during the acting period

Remuneration of the Director - Planning and Engineering		
Annual Remuneration	1 018 086	861 514
Contributions to UIF, Medical and Pension Funds	12 307	1 738
Allowances	301 099	147 400
	1 331 492	1 010 652

Appointed in August 2020. Figures for 30 June 2020 are related to the same incumbent during the acting period

Remuneration of Director - Community Services		
Annual Remuneration	872 263	816 809
Contributions to UIF, Medical and Pension Funds	11 876	158
Allowances	275 131	15 400
	1 159 269	832 367

Appointed in August 2020. Figures for 30 June 2020 are related to the information for a different person during the acting period

31. REMUNERATION OF COUNCILLORS

Councillor remuneration and allowances	10 189 108	9 649 468
	10 189 108	9 649 468

Councillor	Remuneration	Allowances	Total 2021
Mayor - Cllr D.W.S De Vos	877 623	44 400	922 023
Speaker - Cllr T.L Nonnies	658 635	44 400	703 035
Executive committee - Cllr P.W Koeberg	371 911	44 400	416 311
Executive committee - Cllr N.P Vanda	371 911	44 400	416 311
Executive committee - Cllr E.L Looock	371 911	44 400	416 311
Executive committee - Cllr E.A Ruiters	371 222	44 400	415 622
MPAC chairperson - Cllr W.J Safers	360 974	44 400	405 374
Cllr D Williams	281 152	44 400	325 552
Cllr W.Z Le Grange	281 152	44 400	325 552
Cllr A. Mboneni	281 152	44 400	325 552

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	Restated* R
31. REMUNERATION OF COUNCILLORS (Continued)		
	Remuneration	Allowances
Councillor		Total 2021
Cllr E.A Carolus	281 152	44 400
Cllr A Booysen	281 152	44 400
Cllr H Booysen	281 152	44 400
Cllr B.W Seekoei	281 152	44 400
Cllr K Hoffman	281 152	44 400
Cllr X.N Galada	281 152	44 400
Cllr G.C Mackelina	281 152	44 400
Cllr T.M Tshona	281 152	44 400
Cllr R.B Jacobs	281 152	44 400
Cllr P Bees	281 152	44 400
Cllr L.L Langeveldt	281 152	44 400
Cllr A Arries	281 152	44 400
Cllr D.J Bezuidenhout	281 152	44 400
Cllr E.V.R Rossouw	281 152	44 400
Cllr J.J Williams	281 152	44 400
Cllr R.L Smith	281 152	44 400
Cllr A.L Nortje	264 235	44 400
	8 990 308	1 198 800
		10 189 108
	Remuneration	Allowances
Councillor		Total 2020
Mayor - Cllr D.W.S De Vos	828 432	44 400
Speaker - Cllr T.L Nonnies	661 485	44 400
Executive committee - Cllr P.W Koeberg	346 017	44 400
Executive committee - Cllr N.P Vanda	346 711	44 400
Executive committee - Cllr E.L Looock	346 883	44 400
Executive committee - Cllr E.A Ruiters	332 148	44 400
MPAC chairperson - Cllr W.J Safers	336 488	44 400
Cllr D Williams	262 472	44 400
Cllr W.Z Le Grange	261 946	44 400
Cllr A. Mboneni	262 472	44 400
Cllr E.A Carolus	262 340	44 400
Cllr A Booysen	261 491	44 400
Cllr H Booysen	262 472	44 400
Cllr B.W Seekoei	262 472	44 400
Cllr K Hoffman	261 620	44 400
Cllr X.N Galada	261 946	44 400
Cllr G.C Mackelina	261 946	44 400
Cllr T.M Tshona	262 472	44 400
Cllr R.B Jacobs	262 472	44 400
Cllr P Bees	261 946	44 400
Cllr L.L Langeveldt	262 472	44 400
Cllr A Arries	261 946	44 400
Cllr D.J Bezuidenhout	262 472	44 400
Cllr E.V.R Rossouw	261 946	44 400
Cllr J.J Williams	261 620	44 400
Cllr R.L Smith	261 946	44 400
Cllr A.L Nortje (appointed July 2019)	272 036	44 400
	8 450 668	1 198 800
		9 649 468

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	2021 R	2020 Restated* R
31. REMUNERATION OF COUNCILLORS (Continued)		
The Remuneration of Councillors is based on the upper limit as per the Government Gazette.		
No in-kind benefits have been received by council		
32. DEBT IMPAIRMENT		
Debt impairment	17 842 031	44 546 908
Bad debts written off	27 598 022	2 702 625
	45 440 053	47 249 533
Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy.		
33. DEPRECIATION AND AMORTISATION		
Depreciation: Property, Plant and Equipment	59 664 429	54 253 168
Amortisation: Intangible Assets	22 723	56 987
Depreciation: Investment Property	41 366	41 479
Total Depreciation and Amortisation	59 728 518	54 351 634
34. FINANCE COST		
Long service award	728 000	791 000
Post retirement medical benefit	3 693 000	3 764 000
Trade and other payables	17 710 990	8 669 161
	22 131 990	13 224 161
35. BULK PURCHASES		
Electricity	99 081 752	93 023 855
Total Bulk Purchases	99 081 752	93 023 855

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	2021 R	2020 Restated* R
36. OPERATIONAL COST		
Adjustment for provision of landfill sites obligation	(3 095 800)	(949 000)
Advertising, Publicity and Marketing	496 041	225 812
Audit Fees - External	6 140 888	5 945 875
Bank Charges	843 428	783 750
Cash Shortage	55 597	2 343
Chemicals	1 177 161	1 104 333
Commissions	1 496 280	-
Communication	3 558 849	4 309 721
Consumables	8 013 447	6 059 187
Cost recoveries	68 390	116 416
Courier and Delivery Services	657 660	824 374
External Computer Services	2 280 653	823 467
Grants and Donations Made	18 000	18 000
Insurance underwriting	2 419 750	1 498 662
Inventories losses/write-downs	139 267	152 943
Settlement fees cost	536 304	1 044 000
Levies	521 511	342 964
Motor vehicle expenses	5 228 947	5 006 957
Municipal service charges	7 197 729	12 966 958
Professional Bodies, Membership and Subscription	1 901 451	2 038 000
Remuneration to Ward Committees	714 950	700 468
Training and Seminars	252 004	54 346
Travel and subsistence	2 740 377	2 871 332
Total Operational Cost	43 362 884	45 940 907
37. CONTRACTED SERVICES		
Consultants and professional services	1 566 120	1 736 092
Contractors	-	4 367 452
Outsourced services	49 368 382	18 970 105
Total Contracted Services	50 934 502	25 073 650
38. (LOSS)/GAIN ON DISPOSAL OF ASSETS AND LIABILITIES		
(Loss)/Gain on disposal of property, plant and equipment	(1 271 495)	6 714 891

The municipality only transfers ownership or otherwise disposes of capital assets after the council, in a meeting open to the public, has decided on reasonable grounds that the asset is not needed to provide the minimum level of basic municipal services; and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
39. OPERATING LEASES		
Furniture and Office Equipment	715 347	656 462
Transport Assets	3 442 682	6 963 505
Total Operating Leases	4 158 029	7 619 967
<u>Lease of photocopiers</u>		
The Municipality is a lessee as it has entered into operating leases for the use of photocopiers and office equipment with Sky Metro Equipment (Pty) Ltd. These leases were negotiated for a three year term from 1 January 2020 to 31 December 2022, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R210 294 (2020: R753 616) 2 – 5 years inclusive: R0 (2020: R1 130 424) over 5 years: R0 (2020: R0)		
<u>Lease of vehicles</u>		
The Municipality is a lessee as it has entered into operating leases for the use of vehicles with Sky Metro. These leases were negotiated for varying terms all ending at 31 August 2021, with no renewal clauses, purchase options or contingent rent or subleases. The lease payments do not carry any escalations per annum; therefore, the Municipality is required to straight line the lease payments.		
The minimum lease payments due under the above lease are as follows: within one year: R889 199 (2020: R0).		
At the Reporting Date the following minimum lease payments were payable under Non-cancellable operating leases for Property, Plant and Equipment, which are payable as follows:		
Payable within 1 year	1 099 493	753 616
Payable within 2 to 5 years	-	1 130 424
Payable after 5 years	-	-
	1 099 493	1 884 040
40. ACTUARIAL GAIN / (LOSS) AND RELEASE FROM OBLIGATION		
Actuarial gain	1 355 601	8 540 000
	1 355 601	8 540 000
41. CASH GENERATED BY OPERATIONS		
Deficit for the Year	(106 611 558)	(60 195 975)
Adjustment for:		
Depreciation and Amortisation	59 728 518	54 351 634
Losses / (Gains) on Disposal of Property, Plant and Equipment	1 271 495	(6 714 891)
Provision	(12 865 120)	211 244
Operating surplus before working capital changes	(58 476 665)	(12 347 988)
Changes in working capital:		
Decrease/(Increase) in Inventories	637 580	(22 438)
Decrease/(Increase) in Receivables Exchange	(3 288 087)	(1 443 767)
Decrease/(Increase) in Receivables Non Exchange	(83 673)	211 807
Decrease/(Increase) in Other receivables	(1 261 145)	(461 423)
Increase/(Decrease) in Payables Exchange	101 088 426	73 248 162
Increase/(Decrease) in Payables Non Exchange	1 621 820	(20 039 491)
Decrease/(Increase) in VAT	(5 162 516)	3 846 215

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
41. CASH GENERATED BY OPERATIONS (Continued)		
Increase/(Decrease) in Unspent conditional grants Liability	(2 079 868)	(646 299)
Increase/(Decrease) in Consumer Deposits	122 061	138 139
Increase/(Decrease) in Employee Benefit Obligations	2 656 399	(4 116 000)
Cash generated by / (utilised in) Operations	35 774 332	38 366 918

42. PRIOR PERIOD ERRORS

During the year the following errors were discovered in both the annual financial statements submitted in the prior year and the financial accounting system. These errors have been corrected retrospectively through restatements of prior year through journals in the financial accounting system and through correcting the misrepresented prior year column on the annual financial statements.

STATEMENT OF FINANCIAL POSITION	Previously reported	Correction of error	Restated 2020
Current Assets			
VAT Receivable	4 625 778	43 953	4 669 731
Receivables from Exchange transactions	18 338 927	(4 498 145)	13 840 782
Non-Current Assets			
Investment Property	69 034 773	(41 576 546)	27 458 227
Property, Plant and Equipment	1 084 501 798	6 428 808	1 090 930 606
Heritage Assets	11 266 460	(168 790)	11 097 670
Current Liabilities			
Payables from Exchange Transactions	(239 725 641)	(8 346 951)	(248 072 592)
Unspent Conditional Grants and Receipts	(3 666 591)	1 586 724	(2 079 867)
TOTAL ASSETS	1 202 972 513	(39 770 719)	1 163 201 794
TOTAL LIABILITIES	(339 721 232)	(6 760 227)	(346 481 459)
NET ASSETS	863 251 281	(46 530 946)	816 720 335

STATEMENT OF FINANCIAL PERFORMANCE

Revenue from Exchange Transactions			
Service Charges	172 844 452	(599 144)	172 245 308
Expenditure			
Employee related costs	(163 629 214)	(1 001 723)	(164 630 937)
Depreciation and amortisation	(54 226 693)	(124 941)	(54 351 634)
Finance cost	(13 212 068)	(12 092)	(13 224 160)
Operational Cost	(45 647 884)	(293 023)	(45 940 907)
Contracted Services	(21 442 455)	(3 631 195)	(25 073 650)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020	
	R	Restated* R	
42. PRIOR PERIOD ERRORS (Continued)			
ACCUMULATED SURPLUS adjustments	Previously reported	Correction of error	Restated 2020
Opening balance as previously reported	917 785 138	-	917 785 138
Prior period errors impacting opening balance:			-
Receivables from exchange transactions	-	(3 899 002)	(3 899 002)
Investment Property		(36 904 938)	(36 904 938)
Property, Plant and Equipment		(94 603)	(94 603)
Heritage assets		(168 790)	(168 790)
Unspent conditional grants		1 586 724	1 586 724
Payables from exchange transactions	-	(1 388 221)	(1 388 221)
Balance at 01 July 2019 as restated	917 785 138	(40 868 829)	876 916 309
Deficit for the year	(54 533 853)	-	(54 533 853)
Prior period errors impacting deficit for the year:			
Service charges	-	(599 144)	(599 144)
Employee related costs	-	(1 001 723)	(1 001 723)
Depreciation and amortisation	-	(124 941)	(124 941)
Finance cost	-	(12 092)	(12 092)
Operational cost	-	(293 023)	(293 023)
Contracted Services	-	(3 631 195)	(3 631 195)
Balance at 01 July 2020 as restated	863 251 285	(46 530 947)	816 720 338

DISCLOSURE PRIOR PERIOD ERROR ADJUSTMENTS	Previously reported	Correction of error	Restated 2020
Irregular expenditure (note 46)	189 077 669	1 409 890	190 487 559

DESCRIPTION OF ERRORS

Receivables from Exchange Transactions

An error in the debtors system was identified where the municipal building usage was incorrectly coded on the system. The billing system processes measures usage of all meters including municipal buildings however the debtor and revenue is automatically reversed only if the customer code was correct. In this case, the code was not correct and consequently the revenue was incorrectly reflected and the debtor was showing as receivable. The balance was not considered for impairment and only therefore impacts on the receivables and revenue.

Other financial statement line items impacted by this error:

- Revenue from exchange transactions

Property, Plant and Equipment

An adjustment was made to PPE for incorrectly accounting treatment of retentions. PPE was understated by the applicable retentions amount and also the corresponding payables.

Additionally, the former Baviaans municipality previously leased vehicles on finance lease for which these assets were capitalized. Post merger, the vehicles were returned however the transaction was never recorded for "disposal" of the vehicles. The restatement is therefore removing the carrying value at 1 July 2019.

Investment property

The valuation of the investment property was redone to establish the true value of the investment property. Supporting documentation for former municipalities were not adequately kept and the auditor general could not audit the values. Some items were transferred to Property, Plant and Equipment due to incorrect classification in prior year.

Other financial statement line items impacted by this error:

- Depreciation

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	2021	2020
	R	Restated* R
42. PRIOR PERIOD ERRORS (Continued)		
DESCRIPTION OF ERRORS (Continued)		
Heritage assets		
The value of the mayoral chains was reperformed for adequate audit support.		
Payables from Exchange Transactions		
A list of employees worked overtime in the last few days of June after the payroll run. Accordingly they were not remunerated on 25 June 2020 and would only be paid in the July 2020 pay run. The amount however was supposed to have been raised as an expense and an accrual. This correction of error seeks to restate the prior year information to appropriately account for it. 2 minor old payables that does not exist was also removed from payables balance. The amounts are coming from the merger.		
Other financial statement line items impacted by this error:		
- Employee related cost		
The invoices for the department of water and sanitation were in dispute for payment however the invoices remain unpaid and outstanding and required restatement to adequately account for the opening balance and subsequent movement in interest, levy and vat.		
Other financial statement line items impacted by this error:		
- VAT receivable		
- Finance cost		
- Operational cost		
Invoices related to a service provider for contracted services was not recorded in the prior year and accordingly misstated and required correction due to material nature		
Other financial statement line items impacted by this error:		
- Contracted services		
Unspent conditional grants		
The municipality has been carrying two grants since the formation of the new municipality in the books. Upon enquiry by the AG in the 2020 audit, management set out to obtain information on this balance. After having approached all internal staff members, the similar enquiry took place with external possible champions and departments. No information was obtained and no requests further for repayment of such was received. Accordingly the assumption is that the grant was inappropriately accounted for as conditional grants and therefore reversed.		
Restatement of disclosure in the notes		
<u>Irregular expenditure:</u> The restatement in the 2019 and 2020 closing balance is due to the incorrect measurement of irregular expenditure balances including vat. The vat portion has been removed. Also, a completeness exercise was done to ensure that the municipality recognizes all payments classified as irregular expenditure is included appropriately.		

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	Restated* R

43. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment

Total Capital Commitments

50 849 141	63 020 324
50 849 141	63 020 324

The committed expenditure relates to Infrastructure and will be financed by Government Grants and own resources

44. UNAUTHORISED EXPENDITURE

Reconciliation of Unauthorised Expenditure:

Opening balance

411 804 962 328 566 525

Add: Unauthorised Expenditure current year

29 961 595 83 238 437

Unauthorised Expenditure awaiting authorisation

441 766 557 411 804 962

The unauthorised expenditure additions are primarily related to the overspending of budget votes as defined in the MFMA:

Budgeted votes exceeded:-	Amount	Status
VOTE 2: MUNICIPAL MANAGER	70 962	To be investigated and considered by council
VOTE 3: ADMINISTRATION	25 220 429	To be investigated and considered by council
VOTE 6: FINANCIAL SERVICES	4 670 204	To be investigated and considered by council
	29 961 595	

45. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of Fruitless and Wasteful expenditure:

Opening balance

24 736 461 16 245 220

Add: Fruitless and Wasteful Expenditure current year

17 710 990 8 491 241

Fruitless and wasteful expenditure awaiting authorisation

42 447 451 24 736 461

Details of Fruitless and Wasteful Expenditure

Interest charged by Telkom	215 630	124 519
Interest charged by Utilities World	1 944 236	-
Interest charged by Auditor General	4 971	-
Interest Charged by Eskom	11 975 879	4 166 361
SARS penalties and interest	3 332 182	3 711 989
Interest charged by the department of water and sanitation	151 077	-
Government Printing works	1 934	2 964
Interest charged by SALA Pension Fund	-	44 034
Penalties charged by Consolidated Retirement Fund	3 484	214 327
Interest charged by Gem Garage	-	104 067
Interest charged to J.R NIEUWENHUIZEN	41 486	3 993
Interest charged by Piet Viljoen Motors	-	24 596
Interest charged by SUPA Quick	-	166
Interest charged by Rural Development and Land Reform	-	102
Interest charged by other	3 005	551
Interest charged by Bytes people solution	6 989	-
Interest charged by Momentum	951	93 572
Interest charged by SAMRO	29 166	-
	17 710 990	8 491 241

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021	2020
	R	Restated* R
46. IRREGULAR EXPENDITURE		
Reconciliation of Irregular Expenditure:		
Opening balance	190 487 559	163 221 367
Add: Irregular Expenditure current year	27 402 970	27 266 192
Irregular Expenditure awaiting authorisation	217 890 529	190 487 559

47. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

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

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

Goods and services to the value of R32 317 524 (2020 - R19 412 072) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Incidents

Deviations due to Emergency procurement	6 998 936	10 819 733
Deviations due to Sole supplier procurement	1 672 314	2 298 938
Deviations due to impracticality of following SCM processes	23 646 273	6 293 402
	<u>32 317 524</u>	<u>19 412 072</u>

48. RELATED PARTIES

Relationships

Mayor	Cllr D.W.S De Vos
Speaker	Cllr T.L Nonnies
Executive committee	Cllr P.W Koeberg
Executive committee	Cllr E.A Ruiters
Executive committee	Cllr N.P Vanda
Executive committee	Cllr E.L Loock
MPAC chairperson	Cllr W.J Safers
Councillor	Cllr D Williams
Councillor	Cllr E.A Ruiters
Councillor	Cllr W.Z Le Grange
Councillor	Cllr A. Mboneni
Councillor	Cllr E.A Carolus
Councillor	Cllr A Booysen
Councillor	Cllr H Booysen
Councillor	Cllr B.W Seekoei
Councillor	Cllr K Hoffman
Councillor	Cllr X.N Galada
Councillor	Cllr G.C Mackelina
Councillor	Cllr T.M Tshona
Councillor	Cllr R.B Jacobs
Councillor	Cllr P Bees
Councillor	Cllr L.L Langeveldt
Councillor	Cllr A Arries

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	2021 R	2020 Restated* R
48. RELATED PARTIES (Continued)		
Councillor		Cllr D.J Bezuidenhout
Councillor		Cllr E.V.R Rossouw
Councillor		Cllr J.J Williams
Councillor		Cllr R.L Smith
Councillor		Cllr Nortje
Municipal manager		Dr. E.M Rankwana
Director of engineering and planning		B Arends
Acting Chief financial officer		D. Thorne
Director of Corporate Services		Z. Kali
Director of Community Services		G.W Hermanus
District Municipality which Dr Beyers Naude Local Municipality is a part of:		Sarah Baartman District Municipality
Piet Bees - Councillor		Wakz Tyre Trading repairs - Member
Errol Rossouw - Councillor		Ezamampinga Construction - Member
Clive Warner - Assistant Manager		Electrical Motor Rewinders - Son
Ivan Japtha - Law enforcement Officer		Japtha Transport - Owner
Logan Cudjoe - Accountant expenditure		RAC Transport - Spouse
Simthembele Edwin Mbotya - Financial services manager		Mbotya Solutions - Owner
Heleen Kok - Chief financial officer		JHK Plumbing - Member & Heleen Kok life coach - Owner
Rory Boggenpoel - Manager		RBG Ithema - Owner
Colin Abels - Health Practitioner		Welkom Yizani - Shareholder
Cheslyn Bezuidenhout - Official		CEB Transport & CEB Harvest Foundation - Owner
Gwynnne Hermanus - Community service director		Cyril Rose Bed & Breakfast - Owner

The mayor and councillors only received remuneration as set out in Note 26. Rates and municipal services were in line with other customers, see note 6.

The Section 57 managers only received remuneration as set out in Note 25. Rates and municipal services were in line with other customers.

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

The transactions were concluded in full compliance with the municipality's Supply Chain Management Policy and the transactions are considered to be at arm's length.

The municipality did not have any transactions with related parties listed during the financial year

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

	2021 R	2020 Restated* R
49. FINANCIAL INSTRUMENTS		
49.1 Classification		
The Municipality recognised the following financial instruments at amortised cost :		
<u>Financial Assets</u>		
In accordance with GRAP 104.13 the Financial Assets of the municipality are classified as follows:		
Cash and Cash Equivalents	2 634 445	2 277 537
Receivables from Exchange transactions	17 128 869	13 840 782
Other receivables	6 312 535	5 051 390
Total	26 075 849	21 169 709
<u>Financial Liabilities</u>		
In accordance with GRAP 104.13 the Financial Liabilities of the municipality are classified as follows:		
Other financial liabilities	17 614 620	11 755 461
Payables from exchange transactions	349 161 017	248 072 592
Total	366 775 637	259 828 053

49.2 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.

The municipality aims to maintain flexibility in funding by keeping committed credit lines available. The municipality manages a budget which is updated regularly and reported to the municipal management and the council.

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

At 30 June 2021	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	349 161 017	-	349 161 017
Other financial liabilities	10 240 951	7 373 669	17 614 620
At 30 June 2020	Maturity less than a year	Maturity more than a year	Total
Payables from exchange transactions	248 072 592	-	248 072 592
Other financial liabilities	11 755 461	-	11 755 461

Liquidity risk is mainly concentrated on the Trade and other payables balance.

The municipality does not have any collateral and /or credit enhancements that aid in the mitigation of the liquidity risks.

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	2021 R	2020 Restated* R
49. FINANCIAL INSTRUMENTS (Continued)		
49.2 Risk management (Continued)		
Credit risk		
Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.		
Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.		
Financial assets exposed to credit risk at year end were as follows:		
Financial instrument		
Cash and cash equivalents	2 634 445	2 277 537
Receivables from exchange transactions	17 128 869	13 840 782
Market risk		
Interest rate risk		
The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.		
Foreign currency risk		
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The financial instruments of the Municipality is not directly exposed to any currency risk.		
50. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT		
50.1 Contributions to organised local government - SALGA		
Opening Balance	6 537 373	6 980 905
Current year subscription/fee	2 070 001	1 842 245
Amount Paid - current year	(1 000 000)	(2 285 777)
Balance Unpaid (included in Creditors)	7 607 374	6 537 373
50.2 Audit Fees		
Opening Balance	5 610 713	2 703 625
Current year Audit Fee	7 055 767	9 230 284
Credit note and adjustments	(2 423 175)	(2 343 195)
Amount Paid - current year	(4 776 000)	(3 980 000)
Balance Unpaid (included in Creditors)	5 467 305	5 610 713
50.3 VAT		
The net of VAT input payables and VAT output receivables are shown in Note 3. All VAT returns have been submitted by the due date throughout the year.		

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	2021 R	2020 Restated* R	
50. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT (Continued)			
50.4 PAYE, Skills Development Levy and UIF			
Opening Balance	10 442 926	5 605 589	
Current year Payroll Deductions	27 299 028	20 969 614	
Amount Paid - current year	(24 903 544)	(16 132 277)	
Balance Unpaid (included in Creditors)	12 838 409	10 442 926	
50.5 Pension and Medical Aid Deductions			
Opening Balance	15 966 591	7 483 362	
Current year Payroll Deductions and Council Contributions	37 330 511	34 911 518	
Amount Paid - current year	(29 539 482)	(26 428 289)	
Balance Unpaid (included in Creditors)	23 757 620	15 966 591	
50.6 Councillor's arrear Consumer Accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at 30			
	Outstanding up to 90 days	Outstanding more than 90 days	Total
30 June 2021			
Cllr P.W Koeberg	1 289	-	1 289
Cllr E.A Carolus	-	-	-
Cllr D Williams	692	2 224	2 916
Cllr G.C Mackelina	464	-	464
Cllr W.J Safers	916	-	916
Cllr W.Z Le Grange	397	1 655	2 051
Cllr P Bees	3 311	6 159	9 470
Cllr E.V.R Rossouw	523	3 716	4 239
Cllr A.L Nortje	2 637	-	2 637
Cllr D.W.S De Vos	41	-	41
Cllr E.L Looock	4 009	-	4 009
Cllr H Booysen	260	-	260
Cllr J.J Williams	-	2 052	2 052
Cllr K Hoffman	18	-	18
Cllr T.M Tshona	1 468	17 671	19 139
	16 025	33 476	49 501
30 June 2020			
Cllr P.W Koeberg	1 776	-	1 776
Cllr E.A Carolus	313	-	313
Cllr D Williams	1 191	4 456	5 647
Cllr G.C Mackelina	1 507	1 750	3 258
Cllr W.J Safers	1 100	-	1 100
Cllr W.Z Le Grange	807	4 747	5 554
Cllr P Bees	904	3 219	4 122
Cllr E.V.R Rossouw	1 784	10 821	12 605
	9 380	24 994	34 374

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	2021 R	2020 Restated* R
51. DISTRIBUTION LOSSES - ELECTRICITY		
Electricity units (kWh) purchased from Eskom	82 122 942	86 459 314
Electricity units (kWh) sold to customers	(68 628 984)	(64 594 724)
	13 493 958	21 864 590

Electricity losses occur due to inter alia, technical and non-technical losses. (Technical losses - Inherent resistance of conductors, transformers and other electrical equipment; Non-technical losses - tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal electricity connections).

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters are replaced as soon as they are reported. Electricity losses for the financial year is 16,43% (2020 - 25,29%) of purchased electricity. The Rand value of the electricity losses for the period ending 30 June 2021 is R16 586 786 (2020 - R13 230 728)

52. DISTRIBUTION LOSSES - WATER

Water Units produced	5 020 060	4 028 749
Water Units sold	(2 404 695)	(2 846 699)
Non revenue water	2 615 365	1 182 050

During the drought period and water shortages, the municipality makes use of water tankers to provide water to areas experiencing shortages. The logsheets of the tankers together with the capacity serves as controls to measure "authorised unbilling" and are thus not considered water losses. The total quantity for the 2020/21 financial year is 170 040 kilolitres and accounts for 6% of the total non revenue water.

Water losses occur due to inter alia, leakages, tampering of meters, the incorrect ratios used on bulk meters, faulty meters and illegal water connections.

The problem with tampered meters and illegal connections is an ongoing process, with regular action being taken against defaulters. Faulty meters and leakages are replaced/repared as soon as they are reported. Water losses for the financial period amounted to 48,71% (2020 - 29,50%) of water produced. The Rand value of the water losses for the period ending 30 June 2021 is R29 764 897 (2020 - R20 173 949). The increase in value is due to drought tariff increases.

53. CONTINGENCIES

Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain:

XV Jack - In the high court judgement of the case "Phil-Ann Erasmus vs Ikwezi Municipality (Dr Beyers Naude LM) & Xola Vincent Jack", the High Court orders determine that Mr Jack is jointly responsible for paying damages to Mrs Phil-Ann Erasmus as well as the legal costs involved. The process has been put in motion for recovery however there is significant uncertainty on the probability of the recovery and the amount therefore resulting in a contingent asset.

R Alexander - Robert Alexander instituted action out of GR magistrate court for against the municipality alleging certain damages resulted from the MVA involving a motor vehicle of the Municipality driven by an employee. The matter is unresolved

Eskom - The Municipality is in dispute with Eskom for charging much higher tariffs than allowed and for years not reimbursing the Municipality for the utilization of it's electrical network to supply Eskom customers in Municipal area. An amount was offered by Eskom however the municipality considers the amount to be much lower than the true amount which cannot be determined at this stage

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	2021 R	2020 Restated* R
53. CONTINGENCIES (Continued)		
<u>Africorp</u> - The municipality served formal demand on Africorp for outstanding rates on taxes and instituted legal action. Legal costs anticipated with uncertainty on the amount when it goes to trial		
<u>Bay Projects Coastal (Pty) Ltd</u> - Served formal demand on Bay Projects for repayment of R1,269,768. Legal costs anticipated with uncertainty on the amount when it goes to trial		
<u>JH Vermaak vs Dr Beyers Naude Local Municipality</u> - A claim by JH Vermaak claiming damages for tripping and falling and getting injured on the Municipal pavement in Jansenville.		
<u>SL Mvunelwa</u> - where a civil claim has been instituted against the municipality for damages suffered during the disciplinary and legal processes.		
<u>Aurecon</u> - A claim is being made by aurecon for engineering services provided the municipality		
<u>Internal investigation</u> - Related to the burglary at Protection Services Building. Internal investigation to determine as to whether internal controls were ignored and responsible party to recover from		
The table below summarises the potential financial impact of the law suits:		
<u>Contingent Assets</u>		
Bay Projects Coastal (Pty) Ltd	1 269 768	1 269 768
Internal investigation - Burglary protection services	100 000	100 000
	1 369 768	1 369 768
<u>Contingent Liabilities</u>		
Samro *	-	138 478
SL Mvunelwa	825 256	-
Aurecon	81 028	81 028
JH Vermaak vs Dr Beyers Naude Local Municipality	650 000	650 000
	1 556 284	869 505

* Matters which has been resolved, finalized or no longer applies

54. EVENTS AFTER REPORTING DATE

The municipality council resolved to release the services of the chief financial officer during August 2021

No additional events occurred post year end that requires specific disclosure

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2021	2020
R	Restated*
	R

55. GOING CONCERN

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

The followings elements of the financial statements are noted which casts some doubt on the ability of the municipality's going concern status

The current assets of the municipality of R43 198 591 (2020 - R33 683 843) are exceeded by the current liabilities of R370 207 814 (2020 - R280 981 460). The net current liabilities amounts to R327 009 223 (2020 - R247 297 617) and results in a current ratio of 0,12:1 (2020 - 0,12:1). The position above casts some doubt on the ability to continue as a going concern.

The municipality incurred a deficit of R106 611 558 during the 2021 financial year and is a significant increase in the deficit from the 2020 financial year of R60 195 975.

However, the ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these being the significant grants received by the municipal to execute it's legislative service to the community and the accounting officers continued efforts to procure funding for the ongoing operations for the municipality from national and provincial government. Council approved a financial recovery plan and business plan which includes the disposal of property not currently utilised by the municipality and is not important to basic service delivery to reduce the current liabilities. SALGA has been involved with the municipality upon request for support. A programme of action was developed together with the municipality on areas where external support may be provided.